BORDEN

1991 Annual Report

MANAGING FOR PERFORMANCE

Our new St. Louis, Missouri, pasta hyperplant — the largest pasta plant in North America and the most advanced in the world — improves Borden's low-cost position in pasta and is a cornerstone of the Company's worldwide reconfiguration program.

BORDEN ®

IF IT'S BORDEN—IT'S GOT TO BE GOOD

Corporate Profile

Borden, Inc., founded in 1857, is a worldwide producer of foods, non-food consumer products, and packaging and industrial products. The Company is number one in the world in pasta, wallcoverings, forest product adhesives and vinyl foodwrap films; number one in U.S. dairy; number two in salty snacks in North America; and number one or two (nationally or regionally), with well-known brands in two dozen niche grocery categories.

Contents

The product names shown in italics in this report are trademarks of Borden, Inc.

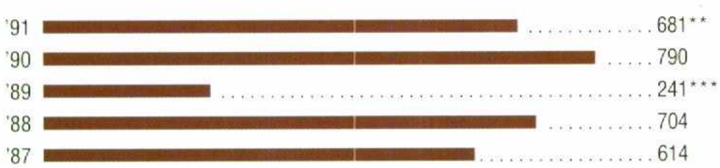
Financial Highlights

(In millions except per share and percentage amounts)	1991*	1990	% Change
Operating Results			
Net sales	**$7,235.1**	$7,632.8	– 5.2
Income taxes	**166.0**	212.0	– 21.7
Net income	**294.9**	363.6	– 18.9
Net income per common share	**2.00**	2.46	– 18.7
Dividends:			
Common share	**1.12**	1.035	+ 8.2
Preferred series B share	**1.32**	1.32	
Total dividends	**165.0**	152.8	+ 8.0
Acquisitions	**29.5**	157.1	
Capital expenditures	**376.0**	331.1	+ 13.6
Return on average shareholders' equity	**15.5%**	20.9%	
Financial Position			
Working capital	**$ 507.5**	$ 179.1	+ 183.3
Current ratio	**1.4:1**	1.1:1	
Total debt to adjusted total capitalization	**41%**	53%	
Shareholders' equity	**$1,974.5**	$1,841.6	+ 7.2
Equity per common share	**13.39**	12.50	+ 7.1
Common shares outstanding	**147.5**	147.3	

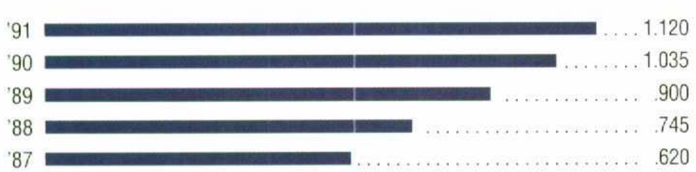
Includes an after-tax reorganization and severance charge of $44.0, or $.30 per share.

Sales *(in billions of dollars)*

Division Operating Income *(in millions of dollars)*

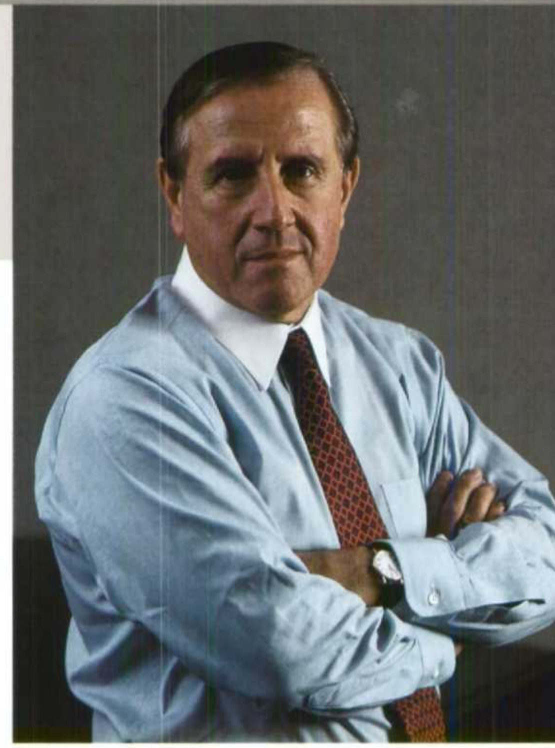


Dividends Per Share *(in dollars)*



***Includes a reorganization and severance charge of $65.6.*
****Includes a reconfiguration charge of $507.6.*

Letter to Shareholders and Employees



Borden's drive to be a low-cost producer in every business took on new importance in 1991. This was a year of recession, consumer anxiety over the future and reduced earnings for the Company.

Reducing Costs Companywide

In the face of growing price competition, a continuing snack war and shrinking margins, we moved aggressively to resume our profit growth. Our actions included:

• A commitment to complete by the second quarter of 1992 a worldwide reconfiguration of our production and distribution, begun in late 1989, to permanently reduce our costs.

• A stringent, Companywide program to reduce all other costs.

• The combining of our pasta and sauce operations in a single unit to increase worldwide growth in this strategic business.

• A reorganization of domestic dairy product sales and marketing to capitalize on strong *Borden* and *Meadow Gold* brands and focus on higher-margin products, particularly cultured products and frozen desserts.

Results of 1991

As 1992 opened and the recession continued, we moved further to improve our cost structure and our competitive position. We established a pretax reserve of $71.6 million in the 1991 fourth quarter. This reserve will cover business reorganizations, as well as severance, relocation and employee-related expenses. We will reduce our salaried employee positions by about 1,300, or approximately 9%.

Our 1991 net income of $294.9 million, or $2.00 per share, includes the after-tax special charge of $44.0 million, or 30 cents per share. In 1990, net income was $363.6 million, or $2.46 per share. Sales were $7.2 billion in 1991, compared with $7.6 billion in 1990.

Committed to Profit Growth

Today, Borden management and employees are rededicated to achieving a return to growth in profitability. Renewed profit growth will reward our investors. It will enhance the opportunities for our people.

That commitment starts now. Our first objective is to resume profit growth in 1992. Because we are unlikely to get help in the marketplace – we think price competition will continue to dominate Borden's food markets even after economic recovery – we have to look to the things we can control. These include our cost structure and the way we run our businesses.

Completing our reconfiguration and cutting our operating costs even further will provide immediate impact. Reorganizing businesses that should be performing better will revitalize them and create a new platform for growth.

Dairy a Priority

Among our many goals, a top priority is the reorganization of our domestic dairy business, which accounts for 20% of our annual revenues. Borden will operate each major segment – ice cream and other frozen desserts, cultured products and fluid milk – as separate businesses. This reorganization will put a national sales and marketing organization behind each business. It will emphasize our higher margin products. And it will bring tighter, sharper control of our fluid milk business.

The dairy reorganization completes a process that began in 1991 with the realignment of dairy, then a separate division, into the Grocery Products Division. This focused some of Borden's best marketing talent in dairy. It also took advantage of synergies with our cheese and condensed milk businesses.

Dairy improved in 1991. It will improve further.

Longer term, a sustained growth in profitability will require a new attitude, a one-company approach to the operation of our businesses. Borden's traditional decentralized management precludes the sharing of common resources essential to achieve the lowest possible cost in today's competitive marketplace. Whether it is marketing to our strategic customers, dealing with our suppliers or combining our internal resources, Borden will think and act as one company worldwide. Our management focus will also emphasize execution – getting it right and doing it right the first time – and total accountability for results.

Sharper Strategy Focus

We will bring a sharper focus to our six strategic growth areas. Under Ro Ventres, Borden built market leadership in North American pasta, in foodservice individual portions, in the fast-growing $8-billion-a-year German sweet snack and specialty bread market, and in a category we perfected, niche grocery. During this time, Borden also became established as a major competitor in the North American salty snacks market.

Borden is still the largest U.S. dairy company, the largest producer of forest products adhesives worldwide – a business we pioneered more than 60 years ago – and the world's largest producer of wallcoverings.

In our long-range business refocus, we will look increasingly to international

A. S. D'Amato
President and Chief Executive Officer

markets. With margins under continuing pressure domestically, we will look to regions around the world where consumer demand is growing fastest. Over 31% of Borden revenues came from outside the United States in 1991. With selective acquisitions and investment in high return businesses, up to 40% of our revenues will be international by 1996.

Building on Strong Overseas Franchises
It is crucial that we build on already well established franchises. Some of our strongest franchises are in regions and areas of outstanding consumer demand and buying power: Germany and the rest of Central Europe, and the Pacific Rim.

In Germany, our sweet snack and specialty bread business generated about $300 million in revenues in 1991. Our sales here have grown 50% since the opening of the Berlin Wall in 1989. We expect sales to double by 1996.

In the Far East, our consumer foods businesses are led by *KLIM* milk powder. This product was introduced in China in the 1930s and remains the dominant brand sold in the Far East. Late last year, we introduced a new low-fat *KLIM* product for the Far East market, the first extension of this Borden staple. In 1992, we will introduce more varieties of *KLIM* milk powder.

Our international thrust also takes advantage of the diversity and franchise power of Borden's non-food businesses. In 1991, 50% of the sales of our Packaging and Industrial Products Division was outside the United States.

But of all our businesses, pasta represents our greatest single worldwide growth opportunity. To take advantage of the obvious synergies involved, we consolidated in 1991 our North American pasta and sauce operations into a separate business unit reporting directly to me. This change anticipates the creation of a separate worldwide pasta division.

Worldwide, our pasta and sauce sales in 1991 totaled nearly $900 million. We are not only North America's leading pasta producer, but also the market leader in Brazil and a producer in Italy and Panama. In all, pasta and sauce represented more than 12% of 1991 revenues, compared with 4% in 1986. By 1996, Borden's sales of pasta and sauce should exceed $1.5 billion.

In snacks, the cost of defending our number two market share in North American salty snacks more than offset another strong performance by our German baked snack operation. Domestic snacks are selling at some of their lowest prices in more than a decade, with no letup in sight. With a business more than twice the size of that of our next largest competitor, Borden is in a strong position to continue to defend its market share.

In April 1992, Borden completes its 135th year in business. Our mass, market presence and our dramatically reduced cost structure represent a new beginning for some of the world's oldest brands and one of the world's best-known companies.

Borden's best days are ahead.

A. S. D'Amato

A. S. D'Amato
President and Chief Executive Officer
February 6, 1992

R. J. VENTRES – ARCHITECT OF GROWTH

R. J. "Ro" Ventres retired as chief executive officer October 31, 1991, and retires as chairman of the Board February 29, 1992, after five years' service in each capacity. He has left an indelible imprint on Borden.

Ro had the strategic vision to focus the Company's business in six growth areas, and the leadership to grow those businesses rapidly through an aggressive program of 90 acquisitions.

R. J. Ventres
Chairman

He had the foresight to undertake the most far-reaching program of plant expansion, modernization and consolidation in the Company's history, and pioneered the SQP Program to deepen employee participation in the improvement of safety, quality and performance.

He strengthened the Company's commitment to good corporate citizenship by developing and adopting both the Borden Principles of Environmental Responsibility and the Borden Principles of Social Responsibility.

Thanks to the vision of Ro Ventres, we are a far stronger and better company than ever before. We are indebted to him, and fortunate that he will continue as a director and as chairman of the Executive Committee of the Board.

We are also indebted to two other former chairmen. I am pleased to report that the Board, in recognition of their distinguished service to the Company, has awarded the honorary title of chairman emeritus to Augustine R. Marusi, chairman from 1968 to 1979, and to Eugene J. Sullivan, chairman from 1979 to 1987.

CHALLENGE	STRATEGY
To Achieve Mass and Market Leadership	**By focusing on acquisitions and internal development in six strategic growth areas, Borden has achieved leading positions in each of its businesses and overall balanced diversity.**

PASTA AND SAUCE

Borden is the world's largest pasta producer, with about one-third of retail dollar sales of dry branded pasta in the United States and Canada. Its flagship *Creamette* brand is America's best-selling pasta, its *Catelli* brand leads in Canada, and Borden's principal U.S. regional brands are leaders in their areas. Borden offers consumers brands in each market segment (premium, mainstream, price/value), leads in dry pasta for foodservice and prepared foods, and is the only major pasta company with a full line of pasta sauces, led by *Classico* – the best-selling premium brand. Borden is the leading pasta maker in Brazil and has pasta businesses in Italy and Panama.

Net Sales *(in millions of dollars)*

SNACKS

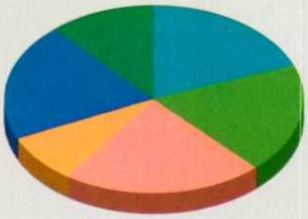
Borden is a strong number two in North American salty snacks, with a business of national and regional brands that is more than twice the size of its nearest trailing competitor. It is the leading baker and retailer in the huge German market for sweet snacks and specialty breads, a business that has doubled in sales for Borden since 1987. The Company is now developing a sweet snack presence elsewhere in Central Europe.

Net Sales *(in millions of dollars)* *Continuing Operations*

NICHE GROCERY

Borden's niche brands are leaders in over two dozen small-to medium-sized grocery categories and are among the best-known brands on supermarket shelves. The brands add up to a formidable national and regional food business that produces steady sales and high profits. Borden also is the number one supplier of high-quality individual-serving and bulk-size grocery products for the foodservice industry.

Net Sales *(in millions of dollars)* *Continuing Operations*



	(in millions)	
Pasta and Sauce	$ 895	12.4%
Snacks	1,422	19.7
Niche Grocery	1,241	17.1
Dairy	1,731	23.9
Non-Food Consumer	571	7.9
Films and Adhesives	1,347	18.6
Divested	28	0.4
	$7,235	

DAIRY

Borden is the largest U.S. dairy company, with its *Borden*, *Meadow Gold*, *Viva* and *Lite-line* milk, ice cream and cultured dairy products. The Company has market-leading regional operations in the South and West, offering a full line of dairy products. Frozen novelties are distributed nationally, and ice cream in 41 states. Borden also is the world's second-largest producer of powdered milk, sold principally under the *KLIM* brand in more than 80 countries around the world.

Net Sales *(in millions of dollars)* *Continuing Operations*

NON-FOOD CONSUMER

Borden is the world's largest producer of wallcoverings. Its *Wall-Tex*, *Sunworthy*, *Crown*, *Borges* and other well-known wallcoverings are leaders in the United States, Canada, England and Germany. Its laminated decorative overlays are used in interior surfaces and furniture manufacture. Borden's consumer adhesives business joins the two best-known names in the marketplace: *Elmer's* household adhesives and *Krazy Glue* instant glues.

Net Sales *(in millions of dollars)* *Continuing Operations*

FILMS AND ADHESIVES

Borden pioneered industrial adhesives more than 60 years ago and today is the global leader in forest products adhesives for making plywood, particleboard and other wood products. Borden also is number one in U.S. vinyl foodwrap films and in many of its European and Far Eastern plastic packaging businesses. It has strong positions in foundry and other industrial resins, high-technology coatings and specialty adhesives.

Net Sales *(in millions of dollars)* *Continuing Operations*

CHALLENGE

To Become a Low-Cost Producer

STRATEGY

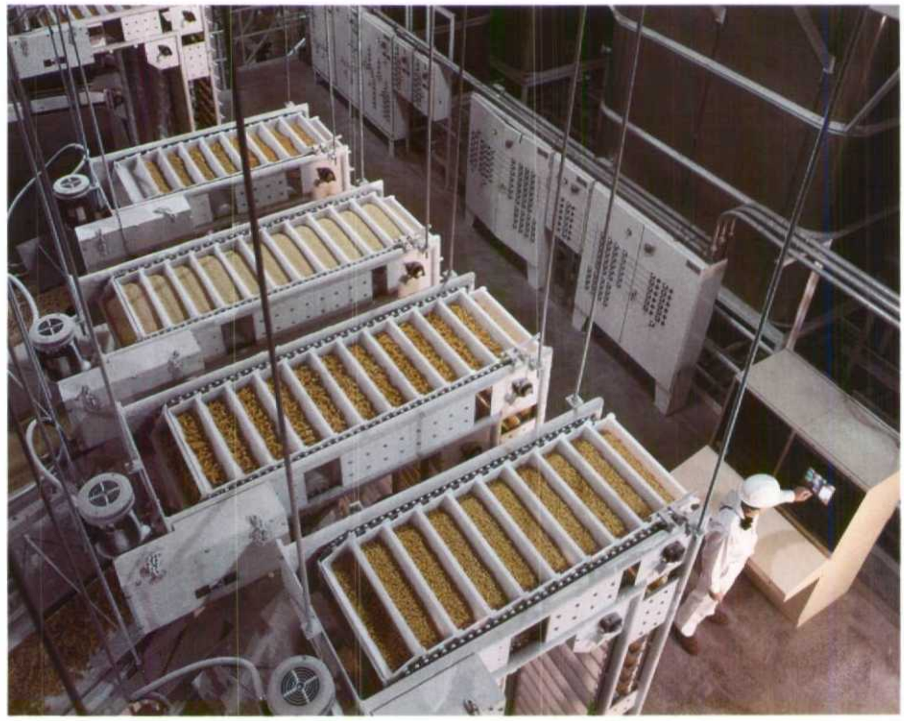
By a massive reconfiguration of production and distribution throughout its worldwide businesses, Borden has attained a highly competitive operating structure.

Borden realized early that to succeed in the tough competitive environment of the 1990s it would need to be a low-cost producer in each of its businesses.

To achieve this goal as quickly as possible, Borden launched an accelerated program of plant expansion, modernization and consolidation in late 1989, and compressed into two-and-a-half years a massive worldwide reconfiguration that would normally take five to seven years to complete.

When the program is finished in the second quarter of 1992, Borden will have substantially lowered its operating costs – a timely change in an increasingly price-driven marketing environment.

Reconfiguration adds 11 food "hyperplants" – three new plants and eight expansions of existing facilities – to the dozen Borden had at the outset. These 23 large, modern and highly efficient facilities are the backbone of Borden's low-cost production network. They enable Borden to consolidate output from 45 smaller, older and less efficient plants.



Borden's 250-million-pound-per-year St. Louis pasta hyperplant widens the Company's lead as the largest and lowest-cost pasta producer in North America.

Pasta

In pasta – Borden's flagship and fastest growing business – reconfiguration adds 17 new production lines that increase net capacity by 25% in North America to nearly 1.5 billion pounds a year.

The cornerstone of Borden's $100 million-plus pasta investment is a new hyperplant at St. Louis, Missouri. Completed in late 1991, it is the largest pasta plant in North America and the most advanced in the world. With 250 million pounds of annual capacity, the plant is designed to be doubled in size to meet the growing demand for Borden pasta well into the future.

The facility is Borden's fifth pasta hyperplant. A sixth hyperplant was expanded from an existing pasta facility in Montreal, Quebec.

Foodservice

Borden reconfigured its foodservice business to capitalize on its newly built position as the industry's only full-line supplier of both individual-portion and bulk-size grocery products for restaurants and other foodservice outlets. The Company realigned 80% of its foodservice volume and streamlined operations from 13 mostly small plants, scattered across the country, into a highly efficient four-plant network, serving the entire United States.

Borden's foodservice operation will be the largest and most efficient in the industry with three hyperplants. New facilities at Jackson, Mississippi, and Chambersburg, Pennsylvania, each can produce 1.5 million individual-serving portions per hour. The third, at Chatsworth, California, was expanded from an existing plant.

The foodservice reconfiguration enables Borden to meet customer needs better than any competitor by supplying a uniquely broad product line from each location, while significantly reducing production and distribution costs.

Snacks

Borden Snacks has grown from a few regional U.S. operations into a formidable national competitor with nearly $1 billion in coast-to-coast North American sales.

Reconfiguration is driving the transformation of this business into a single operation with unified systems in:

Purchasing – Snack raw materials and supplies are sourced to gain the greatest leverage and best prices from suppliers.

Production – Borden's 19 North American snack plants are now part of a single manufacturing operation, with national brand snacks produced wherever it is most efficient.

Marketing – North American snacks marketing is now centralized for improved effectiveness and closer control, except for regional brands and promotional spending, which are decided regionally to better meet local competition.

Distribution – By year-end 1992, store-door delivery systems and long-

BUSINESS	ACTIONS	PURPOSES
Pasta	Add 17 new lines	Increase North American net capacity by 25%
	Build one new hyperplant; expand existing plant to hyperplant size	Widen low-cost leadership by producing half of annual output on equipment two years old or less
Foodservice	Build two new hyperplants; re-equip one existing plant Close 11 older plants	Achieve low-cost production Broaden lead in individual-serving products; add to position in bulk-size grocery products Offer uniquely broad product line from each location
Snacks *North America*	Centralize purchasing, manufacturing, marketing; consolidate administration Realign long-haul and store-door delivery systems	Unify regional businesses into single North American network Reduce manufacturing, marketing, delivery and administrative costs
Snacks *Europe*	Acquire and expand eastern German bakery into a hyperplant	Develop capacity for continued rapid sweet snacks growth in unified German market
Niche Grocery	Expand clam products plant into a hyperplant	Achieve low-cost production in seafood specialties
Dairy	Withdraw from highly competitive markets by closing or selling 14 plants	Concentrate U.S. business in strong regional markets in South and West
	Expand existing ice cream and fluid milk plants into hyperplants Consolidate production from five high-cost dairies Invest in equipment upgrades systemwide	Maximize operating efficiencies within ongoing business
Non-Food Consumer	Consolidate European wallcoverings, improve North American manufacturing and distribution	Reduce costs and add to market position
Films and Adhesives	Consolidate North American forest products adhesives business	Reduce administration and overhead costs

haul truck fleets will be realigned and consolidated both to improve customer service and achieve the lowest-cost delivery.

Borden will complete in 1992 an administrative consolidation from 12 stand-alone snack profit centers to three geographic operating groups and plans to implement a hand-held computer system to lower selling expenses, reduce inventories and improve the quality of management information.

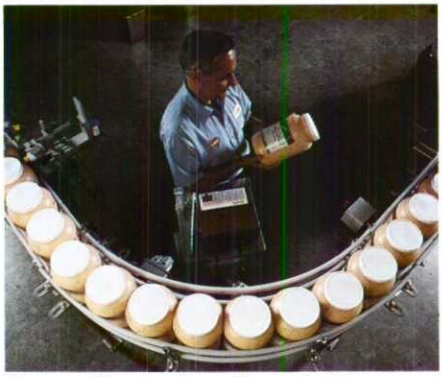
Niche Grocery

Borden has achieved low-cost production of its small- to medium-volume niche grocery products by bundling them into multiproduct hyperplants.

Borden entered reconfiguration with multiproduct hyperplants at Northbrook, Illinois, and Birmingham, Alabama. A third was added by expanding an existing clam products plant at Cape May, New Jersey, and consolidating production from two older facilities.

Dairy

Borden downsized its domestic dairy business in 1989-91 by withdrawing from highly competitive fluid milk and cultured product markets in the East, Southeast and Midwest and concentrating in the West and South, where its dairy brand franchises are strongest.



The new Chambersburg, Pennsylvania, hyperplant strengthens Borden's position in foodservice salad dressings and mayonnaise.

Within its ongoing operations, Borden expanded two plants to hyperplant size – for fluid milk at Conroe, Texas, and ice cream at Syracuse, New York, and improved the operation of its Columbus, Ohio, ice cream plant to hyperplant efficiency. At many locations, improved equipment to process, package, store and distribute dairy products has helped to raise efficiency and reduce costs.

Non-Food Consumer

Borden sharply reduced wallcovering costs by consolidating its European plants and improving its North American manufacturing, distribution and customer service systems. It expanded a state-of-the-art decorative laminates facility at Blythewood, South Carolina, and consolidated consumer glues production from a Canadian plant into its main facility at Bainbridge, New York.

Films and Adhesives

Borden widened its low-cost lead in U.S. and Canadian forest products adhesives by unifying the business into a single North American operation. The Company shifted output from a films plant in Florida into more efficient facilities and added capacity for advanced metallized food packaging films at North Andover, Massachusetts.

CHALLENGE

To Resume Profit Growth

STRATEGY

By sharply focusing its businesses and improving its competitive position through reorganization and cost reduction, Borden is putting its full earnings power to work for its investors and employees.

Borden today has the mass and market presence to compete effectively in all of its businesses. With the completion of reconfiguration, the Company will have new operating efficiencies to fuel profit growth and to act on new business opportunities worldwide.

Building on International Strength

International expansion is a strategic priority. The Company will increasingly focus its businesses where consumer demand is growing fastest – including Central Europe and the Pacific Rim, where Borden franchises and brands have a head start.

The Company's most dramatic international growth so far has been in European sweet snacks and specialty breads, where sales have doubled since 1987 and are targeted to double again to $600 million by 1996.

Borden is now Germany's leading baker and retailer of sweet snacks with more than 300 shops (including 21 in eastern Germany), up nearly fourfold since the end of 1985. Borden opened a test store in Budapest, Hungary, in 1991 and plans to further expand in Germany, Hungary and elsewhere in Central Europe during 1992.

Growing in the Far East

The Company's principal overseas dairy franchise is *KLIM* milk powder, sold in more than 80 countries and the world's number two powdered milk. Russia joined the list of countries in 1991 and is expected to grow into a major sales outlet.

In the Far East, where *KLIM* milk powder has been marketed since the 1930s, *KLIM Lite-line* low-fat milk powder was introduced in 1991. It's the first line extension ever for *KLIM* milk powder. Several more new products, targeted for young children, are planned for the brand in 1992.

Borden is pursuing growth opportunities in other Pacific Rim businesses, especially where it has well-established market positions. This includes forest products adhesives, which Borden has manufactured for Australian housing and construction since 1951, now accounting for nearly half that market.

KLIM Lite-line low-fat milk powder was introduced to Far East consumers in 1991. It is the first of several line extensions planned for *KLIM*, the world's second-best-selling milk powder.

The business expanded to the Philippines in 1955 and currently holds over 60% of the market, and on to Malaysia in 1973, where it has over 40% of the market.

In plastic films and packaging, Borden started in Australia in 1965 and today is the only large international company in a highly fragmented market. The Company expanded into New Zealand in 1990 and now has a 30% share of a rapidly expanding market.

In Japan, where *Lady Borden Classic* and *Lady Borden Home Made* ice cream compete in the premium/superpremium category, Borden Japan introduced reformulated versions of both brands in 1991, made with fresh milk and cream, and plans to open its first wholly owned food plant in 1992 to produce process cheese.

Tapping Pasta's Potential

Among Borden's businesses, pasta represents a major worldwide opportunity. Its marketing potential is enormous – driven by a unique set of product attributes including outstanding nutritional value, versatility in preparation, economy and convenience. Borden will benefit the most from pasta's growth as the leader in the United States, Canada and Brazil.

Pasta consumption per capita in the United States has already jumped from 13 pounds a decade ago to an estimated 19 pounds in 1991 and is projected by the National Pasta Association to surge to 30 pounds per capita by 2000. The overall U.S. pasta category has averaged 3% to 4% annual growth, with Borden's growth averaging almost twice that rate.

Borden is the only major pasta company that makes and sells pasta sauce as well. Its flagship *Creamette* brand is America's best-selling pasta, and *Classico* pasta sauce is the number one premium brand.

Borden has outperformed the category on the strength of aggressive advertising and marketing programs and an unequaled product line. It is the only North American pasta producer with retail brands in each market segment (premium, mainstream and price/value) and has the leading share of the total dry pasta market, including pasta used in foodservice and as an ingredient in other food products.

The Company used its coast-to-coast regional distribution network to roll out *Creamette* as the first and only national pasta brand. *Creamette* is sold in stores doing over 90% of U.S. grocery volume.

Borden spends more on advertising, for *Creamette* and its regional brands, than all other dry pasta producers combined.

Outpacing Pasta Category Growth

The Company's objectives are twofold: to help spur category growth and, at the same time, to outpace that growth by strengthening the identity and expanding the distribution of its pasta brands.

Thanks to reconfiguration, Borden has the low-cost production capability to power its future growth in pasta.

Borden also has the opportunity to leverage a unique position as the only major U.S. company that makes and sells sauce as well. Sauce itself is a $1.1 billion a year retail category in the United States plus Canada. Borden holds nearly a 60% share of sales in the premium sauce segment with *Classico* sauce and about 11% of the total category.

Building Niches

Borden's niche grocery brands earn high profit margins due to the dominant position most hold in over two dozen small- to medium-size product categories.

The products enjoy longstanding customer loyalty in categories that are generally too small to attract heavy competition. Their diversity offers Borden great opportunities for cross marketing and tie-in promotions, such as the annual "Home for the Holidays" promotion for *Eagle Brand* sweetened condensed milk, *ReaLemon* juice, *Borden* egg nog and *None Such* mincemeat.

Borden has achieved low-cost production efficiencies by making its niche brands in multiproduct hyperplants. For example, at Northbrook, Illinois, the fixed overhead costs are shared by *Cracker Jack* popcorn and peanuts, *Wyler's* and *Steero* bouillon, *MBT* broth, and *Mrs. Grass* and *Soup Starter* dry soup mixes.

Borden's strategy in niche grocery is to identify and exploit share and category growth opportunities; maintain share and volume for its mature brands; maximize profits and long-term cash flow – and then reinvest the profits in additional niche grocery acquisitions or other growth opportunities.

Turning Up Snack Volume

In North American salty snacks, Borden has the size, low cost structure and staying power to build volume and market share in the face of a two-year industry-wide price war.

With annual sales of nearly $1 billion in North America, the Company is number two in the industry and far ahead of the next largest competitor.

Borden's snack strategy is to win more shelf space and build volume by:

• Extending its focus to all segments of the snack industry, including club stores, warehouse stores, mass merchandisers and military outlets;

• Moving aggressively into new product categories where it is not confronting an established category leader – for example, a new line of multigrain snacks planned for early 1992;

Borden has over 300 retail bakeries serving the huge German market for sweet snacks and specialty breads, including a recently opened *Lecker Backer* outlet near Leipzig.

• Using line extensions and new sizes to build sales for its growing family of national snack brands;

• Bringing new visual appeal to some of its oldest and best-known snack brands, with more contemporary packaging;

• Unifying all of its snacks under a "Borden Quality Snacks" banner in advertising, promotion and product packaging; and

• Increasing the use of the *Borden* brand in areas where that name has strong consumer recognition, such as in Texas, where a *Borden* snack line was launched in 1991, and consolidating minor brands under the *Borden* name for greater marketing efficiency.

Improving Dairy

Borden's domestic dairy performance responded well in 1991 to geographic downsizing and production realignments. To further improve the management of all Borden milk-based products, the fluid milk, frozen desserts and cultured products businesses were shifted in 1991 to the Grocery Products Division, which already included cheese and sweetened condensed milk.

Among the improvements in Borden's U.S. dairy business is a hand-held computer system used by route salespersons to enter sales data, providing better and more timely information on customer accounts.

In late 1991, the Company reorganized its U.S. dairy operations, removing sales and marketing responsibilities from 40 geographic profit centers and establishing a centralized national functional management for each product category. The reorganization puts some of Borden's most talented sales and marketing people behind its higher margin ice cream, other frozen desserts and cultured products. The change also provides tighter and sharper direction for the fluid milk business.

Administrative and control improvements also are under way. These include new hand-held computers and other automated information systems that provide more timely information for selling, marketing and accounting.

Targeting Foodservice

Foodservice is a strategic business for Borden. The category represents 48 cents of every U.S. retail food dollar. Until recently, it was growing at a rate four to six times that of retail grocery. This trend should resume once the economy recovers and the growing number of two-income families express their strong preference for convenience meals and eating out.

Borden is the overall category leader in individual-serving products, such as jams, jellies, ketchup, sauces, dressings and syrups, and holds a significant share of the bulk-sized mayonnaise and salad dressings businesses.

Borden's massive reconfiguration in foodservice will make it the industry's low-cost producer. The Company's strategy includes serving customers with the broadest line of products from each individual location and providing them with such other benefits as easier ordering, better inventory turnover and simplified invoicing. The goal: a doubling of Borden foodservice sales by 1996.

SQP team members at Columbus Coated Fabrics (shown from left to right): Tex Algoe, Bobb Kornmiller, Dave Martin, Bob Medley, Ken Thivener, Joe Ochwat and Jim Smathers.

Expanding Non-Food Franchises

Borden is the largest worldwide producer of adhesives for plywood, particleboard and other wood products and a world leader in plastic films and packaging. These strong, high-margin products serve markets that are generally just one step removed from the consumer.

In forest products adhesives, for example, Borden's efficient, low-cost production and purchasing leverage make it feasible for the Company to run its plants at high volume during economic downturns. As prices and profits improve on the upcycle, Borden emerges with even greater share than before.

As the world leader in wallcoverings with nearly $400 million in annual sales, Borden has been able to weather the recession better than weaker competitors – some of whom have failed to survive the economic downturn.

Borden's modernization sharply reduced costs at its European wallcovering operations. A continuing marketing realignment capitalizes on the shift in product sales from books and decorators to in-store stocks at home centers and other mass merchandisers.

Several new products, including *Borderlines* – a self-sticking border for the *Borden Home Wallcoverings* family – are expected to help boost sales in 1992. A major promotional program has been launched to build international sales of Borden's commercial wallcoverings.

In consumer adhesives, Borden's strong franchise, with *Elmer's* adhesives and *Krazy Glue* instant glues, has performed well despite the recession. Borden is capitalizing on the powerful *Elmer's* name with innovative line extensions such as *GluColors* decorative glues and *Squeez 'N' Caulk* easy-to-use caulks for the do-it-yourself market.

To make the most of its massive investment in new plants and equipment, Borden has many programs under way to involve its employees worldwide in improving performance and to increase their ownership stake in the Company. The most far-reaching effort: the Borden SQP Program for Safety, Quality and Performance.

Entering its fifth year, SQP enlists the talents and energies of over 32,000 employees at 200 Borden plants worldwide. SQP actively involves employees at all levels in setting specific goals for improvement in safety, quality and performance and in finding ways to meet goals in each area.

With its primary emphasis on safety, SQP has led to a 30% reduction in the frequency of recordable injuries at Borden plants since 1988, from a record that was at the outset far better than comparable industry averages.

The program shares the dollar savings from improved productivity with the employees who helped produce the gains. In 1991, SQP rewarded 73 Borden facilities for achieving or surpassing their SQP goals, and nearly 10,000 employees received gain-sharing checks for their contributions.

The Options for Excellence Program, approved by the Board of Directors in 1991, serves as a further incentive for meeting and exceeding SQP goals by awarding stock options to employees in addition to other gain-sharing benefits they receive.

A total of 544 employees at seven plants and 131 additional individuals and SQP team members at other locations were awarded options for 100 shares each of Borden stock in 1991 for their cost-saving ideas and suggestions.

An SQP team at Columbus Coated Fabrics in Columbus, Ohio (pictured above) received their 1991 Options for Excellence for developing a plan to sell vinyl scrap from the manufacture of decorative products. Their suggestion makes a significant contribution toward meeting a 40% reduction goal for waste disposal and saves more than $70,000 annually.

CHALLENGE

STRATEGY

To Meet Social Concerns

By formally adopting the Borden Principles of Social Responsibility, the Company strengthened its long-standing commitment to good corporate citizenship.

The Company expresses its social responsibility through fair employment practices, minority purchasing programs, charitable contributions and respect for the environment.

Recognizing the Value of Diversity

Borden hires, trains, promotes, compensates and makes all other employment decisions without regard to an individual's race, color, sex, age, religion, national origin or handicap.

The Company has Equal Employment Opportunity (EEO) programs in place at every U.S. location to assure equal standing on the job for every employee. Performance evaluations for all supervisors and managers include their EEO efforts and results.

Borden's affirmative action programs have resulted in a domestic workforce in which minorities represent 24% of the total, well above the 18% national average.

A Pioneer in Minority Purchasing

Borden is a leader in minority purchasing, with a voluntary program that dates back to 1971. The Company makes certain that minority suppliers have an opportunity to win business, and in 1991 purchases of goods and services from minority suppliers totaled $74 million. These included food ingredients, plant supplies, temporary employment and transportation services, and other items associated with its foodservice and pasta hyperplant construction projects. Its 1991 tax payments through minority-owned banks totaled $52 million.

Many Borden employees are community volunteers, including Bob Moore, a design coordinator at Orchard Decorative Products, who tutors first-graders at Tillman Elementary School in suburban St. Louis as part of a nationwide program that aids disadvantaged youth.

Helping the Disadvantaged

Borden has a long history of caring about those in the community who are less fortunate or in need of help.

That concern is demonstrated by the Borden Foundation, which has served as the principal conduit of the Company's charitable contributions since 1944. Through the Foundation, the Company makes contributions worldwide and supports charitable organizations and activities important to the communities in which it operates.

In 1991, it provided support to community hospitals and health facilities and over 200 food banks across the United States. It also funded childhood cancer and bone marrow transplant research and supported educational institutions serving disadvantaged youth.

Borden's concern also is evidenced by the many thousands of Borden employees who volunteer their time, talents and energies in service to their neighbors and communities. The Foundation gives special consideration to programs with active employee volunteers when evaluating grant requests, and matches employee contributions to tax-exempt charitable health, arts and cultural, youth and educational organizations.

The Foundation's primary focus is on programs that assist disadvantaged children. For the fourth consecutive year, it has funded a special program with National Urban League chapters across the country to provide children in 10 cities, where Borden operations are headquartered or major plants located, with opportunities for enhanced health care, educational or cultural enrichment.

In 1991, a Borden grant enabled the ASPIRA Association, a leading national Hispanic organization, to launch a similar program to reach disadvantaged children in 10 additional cities coast-to-coast and in Puerto Rico.

A responsible company must be sensitive to the social concerns of both the larger society and the company's immediate stakeholders: investors, employees, customers, consumers, communities and suppliers.

Borden's commitment to social responsibility includes:

1 **Respect for Our People** We are committed to fair and equitable treatment of all employees, to a working environment that recognizes the value of human diversity and to policies and programs that help our people develop meaningful and rewarding careers.

2 **Workplace Safety and Quality** We will conduct our operations in a manner that promotes the health and safety of our people, respects the dignity of individuals and offers people the opportunity to grow, to make a contribution and to be recognized for that contribution.

3 **Support for the Family** We understand that work and family are interdependent. Through our employment practices and our benefits programs, we will support efforts that strengthen the family and enhance the economic security of our employees.

4 **Support for the Community** In conducting our business, we will be sensitive to the needs of the communities in which we operate, doing our share to support community improvement through our philanthropic programs and recognizing the volunteer efforts of our employees.

5 **Responsible Communication** We will aim for accuracy, clarity and openness in communications both within and outside the Company, sharing our plans and strategies as fully as possible with our own people, and taking care to listen, as well as talk, to our many stakeholders.

6 **Product Safety, Quality and Value** We will strive to produce high quality products that represent good value and meet the highest standards of safety, developing alternatives that respond to changing concerns about diet, health and environmental needs.

7 **Respect for the Environment** We will follow the Borden Principles of Environmental Responsibility in handling and using raw materials, in manufacturing our products, and in packaging and distributing what we make. We are pledged to make consistent, measurable progress in fulfilling those responsibilities worldwide.

8 **Sensitivity to Change** We will be sensitive to the impact of change on our people and our plant communities, and endeavor to respond to their needs when we modify our operations to meet the changing requirements of a global economy, technological advance and transformed business conditions.

9 **Ethical Business Practices** We are dedicated to the highest standards of ethical behavior in all of our business practices, beginning with honesty and integrity, and we expect our people at all levels to conduct themselves accordingly.

10 **Global Citizenship** We understand the need to respect, and be sensitive to, the different cultures and values inherent in a global marketplace, while recognizing that changes in geography do not nullify these fundamental principles of social responsibility.

Safeguarding the Environment

Borden takes its concern for the environment seriously. In 1990, the Company adopted its Principles of Environmental Responsibility and in 1991, the Company created the position of Vice President, Health and Environment, to more closely monitor its efforts to protect the environment.

The Company has aggressive, trend-setting programs in place to reduce waste and protect the environment and has invested over $100 million in equipment to minimize pollution from its plants.

A Companywide task force is working on further ways to eliminate waste at the source by changing processes or substituting raw materials.

Borden also voluntarily joined the U.S. Environmental Protection Agency's Air Toxics Reduction Program and is committed to reducing its airborne emissions by 33% by year-end 1992 and 50% by year-end 1994.

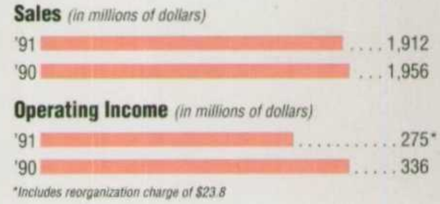
At its North American forest products adhesives plants, Borden is aiming at zero discharge of pollutants. Five plants have already achieved that goal and the remaining 12 are progressing toward it.

Borden is making every effort to develop packaging that meets environmental concerns and at the same time protects product quality and purity. New packaging was adopted for dairy, pasta and foodservice products in 1991 that uses less packaging material per unit of product.

Borden also encourages the use of recycled materials, including the paper for this year's annual report. Most of the paperboard in Borden's U.S. pasta boxes is 100% recycled. Its glass, steel and aluminum packages contain increased amounts of recycled material and are marked to remind consumers that they are recyclable. Rigid plastic containers are coded to help recyclers identify and sort different plastic materials.

*The following comparisons include a charge to 1991 operating income for business reorganization and severance expenses.

Grocery Products



This reporting unit includes North American pasta and sauce, niche grocery products, refrigerated products and foodservice.

In 1991, these businesses reported 18.1% lower operating income on 2.2% lower sales. Excluding the charge of $23.8 million, 1991 operating income declined 11.0%.

The sales and income declines reflected weak foodservice results, reduced refrigerated cheese sales due to lower selling prices and heavy competition, and the divestments of spray paints in June 1990 and MCP Foods in September 1991. Sales were up in niche grocery products, and the pasta and sauce operation reported gains in both sales and operating income.

Highlights

Pasta and Sauce

U.S. and Canadian pasta and sauce operations were consolidated in 1991 into a North American pasta products group to maximize marketing synergies.

• Borden's North American pasta sales outpaced industry growth in 1991, strengthening the Company's number one position.

• *Creamette*, Borden's flagship pasta brand, posted higher sales and became America's best-selling pasta in 1991.

• A hyperplant was completed at St. Louis, Missouri, in late 1991. The 250-million-pound-per-year facility is the largest pasta plant in North America and the most advanced in the world.

• State-of-the-art production lines also were added at the Lowell, Massachusetts; Phoenix, Arizona; New Hope, Minnesota; and Montreal, Quebec, pasta hyperplants.

• Two new *Classico* premium pasta sauce flavors (di Parma four cheese sauce and di Salerno with sweet pepper and onion) were launched in 1991 with excellent trade and consumer response.

• Higher Canadian results benefited in part from the full-year contribution of the *Lancia* and *Gattuso* pasta brands acquired in 1990.

Borden single-wrap cheese slices and *Mrs. Grass* dry soups make the perfect soup and sandwich combination.

Niche Grocery

Volume gains were achieved for such products as *Eagle Brand* sweetened condensed milk, *ReaLemon* lemon juice, *Wyler's* and *Steero* bouillon, *Cracker Jack* popcorn and peanuts, and *Bama* jams and jellies.

• *Eagle Brand* sweetened condensed milk recaptured volume as a result of more aggressive marketing.

• *Cracker Jack* popcorn and peanuts posted sharply higher sales on the popularity of a mini-baseball-card promotion and the introduction of a butter-toffee flavor (in 10 Western states) to complement the original caramel-coated variety.

• *Bama* jams, jellies, peanut butter and mayonnaise benefited from promotional support and new distribution in key Southern markets.

• Added distribution and retail trade support boosted sales of *Wyler's* and *Steero* bouillon.

• *American Original* clam products, acquired in 1991, strengthened Borden's position in foodservice and retail clam products.

• Updated packaging helped to maintain sales of *Mrs. Grass* and *Soup Starter* dry soup mixes, while strong consumer promotion benefited *Cremora* and *Cremora Lite* non-dairy creamers.

Refrigerated Products

Sales of cheese were off in 1991, principally because selling prices were driven down by both increased competition among branded and private label cheeses and reduced commodity cheese costs.

• The new *Singleskeeper* recyclable/reusable package for *Borden* single-wrap cheese slices was expanded into the Midwest and Southeast. Excellent consumer response to the *Singleskeeper* package helped Borden maintain its number two position in the U.S. branded cheese market.

• *Lite-line*, the best-selling brand of diet cheese slices, benefited from consumer promotional support as well as the new package.

• Sales growth of *Sandwich-Mate* substitute cheese slices outpaced all other branded competitors by more than two to one in 1991.

• A sharp cheddar flavor was added to the *Borden Light* family of reduced fat cheese slices, and a two-pound *Borden* cheese loaf was introduced.

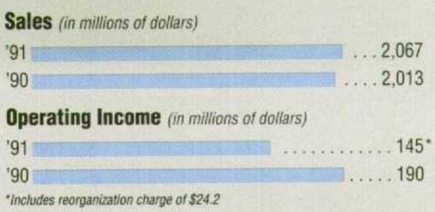
Foodservice

Intense price competition in individual-serving products, a recession-related slowdown in restaurant sales, and high start-up costs and business disruptions related to two new foodservice hyperplants resulted in significantly lower foodservice income in 1991.

• The start-up of the Jackson, Mississippi, and Chambersburg, Pennsylvania, hyperplants permitted Borden to consolidate five smaller plants and four warehouses, substantially completing the business reconfiguration.

• *Cremora Lite* non-dairy creamer and several sauces, dressings and syrups under the *Borden* brand were added to the line of individual-serving products.

Snacks and International Consumer Products



This division is principally responsible for Borden's worldwide sweet and salty snacks, other food products outside the United States and Canada, and films and adhesives in the Far East.

Sales were up 2.7% in 1991, but operating income fell 23.6%. Excluding the charge of $24.2 million, operating income was off 10.9%. Though sales and income rose in the international businesses, results were weak in the United States due to intense snack industry competition.

Highlights

Snacks

North America

Sales were down, particularly in the first half of the year, when volume was hurt by heavy promotional spending and price discounting by competitors. Profitability declined as Borden intensified its own promotional spending to protect market share.

To reduce costs and overhead, North American snack operations began consolidating from 12 stand-alone profit centers to three regional groups in 1991. The Western Group consolidation was completed by mid-year, with the Eastern and Central Group consolidations progressing toward completion in 1992.

- Eastern Group dollar sales improved modestly. The impact of intense market competition was offset by the full-year contribution of *Quinlan* pretzels, acquired in 1990, and record sales from Humpty Dumpty Foods in Canada.
- Wise Foods, Borden's East Coast and largest snack unit, benefited from substantially higher sales of *Cheez Doodles* snacks. Bolder and more contemporary package graphics for *Wise* snacks were introduced in late 1991.
- Dollar sales were down in both the Central and Western Groups, due to severe competition and an aggressive line item reduction program.
- The Western Group began to benefit late in the year from reduced selling and administrative expenses resulting from consolidation.

National Brand Growth

Additions to Borden's national snack brand family included:

- *Snack Time!*, a line of individual-serving cookies, crackers, nuts and meat snacks for sale principally in convenience stores;
- Two new flavors of *Krunchers!* potato chips – sour cream and onion, and salt and vinegar;
- *LaFamous* restaurante style, white corn tortilla chips; and
- *Doodle O's* cheese-flavored corn puffs.

Europe

Sales and operating income improved substantially in 1991, led by strong gains in the German sweet snacks and specialty breads business.

- The German snacks group, managed by Wilhelm Weber GmbH, added 21 retail outlets in eastern Germany and a test store in Budapest, Hungary, (a joint venture with Hungary's leading sweet snacks company) in 1991. Additional outlets for Germany, Hungary and elsewhere in Central Europe are slated for 1992.
- In January 1991, Borden acquired and quickly expanded and modernized Weissenfelser Backwaren GmbH, a large, former state-owned bakery near Leipzig in eastern Germany.
- Sooner Snacks in England reported lower sales, due to weak market demand and increased competitive pressure.
- Higher sales were achieved by Crecspan in Spain following the introduction of several new baked snacks.

Salt and vinegar *Krunchers!* potato chips and *Doodle O's* corn puffs are two new additions to Borden's national snack family.

International/Puerto Rico

Dairy

KLIM milk powder posted record sales in 1991, due in part to increased advertising and promotional support.

- *KLIM Lite-line* low-fat milk powder – the first line extension of the *KLIM* brand – was successfully launched in several Far Eastern markets late in the year and will be expanded worldwide in 1992.
- *KLIM* milk powder was sold in Russia for the first time in 1991.
- Record sales and income were achieved in Colombia, where *KLIM* milk powder is produced for local consumption and is the market leader.
- An expansion of milk powder production at Valledupar, Colombia, is nearing completion. The plant also will produce single-wrap American process cheese slices.
- *KLIM* brand regained its leading position in Puerto Rico with the successful introduction of *KLIM* instant milk powder.
- Borden Japan assumed full ownership of its ice cream business (formerly a joint venture) and launched reformulated

Lady Borden Classic and *Lady Borden Home Made* ice creams, made with fresh milk and cream.

• Volumes dropped sharply prior to the ownership change and have picked up only modestly as Borden establishes itself in the Japanese ice cream business.

• Construction of a state-of-the-art process cheese plant began at Usuda, Japan, in anticipation of the end of a joint venture during the second quarter of 1992.

Niche Grocery/Pasta

Both dollar sales and income advanced in 1991.

• Gallina Blanca, a joint venture, increased its leading share of the Spanish soup and bouillon market with added advertising and marketing support.

• Gallina Blanca also benefited from lower costs and higher production efficiencies, following the modernization of its San Juan Despi, Spain, multiproducts plant.

• In Panama, Borden acquired Pastas Alimenticas la Imperial – one of that country's leading pasta companies – and introduced *Creamette* pasta.

Films and Adhesives

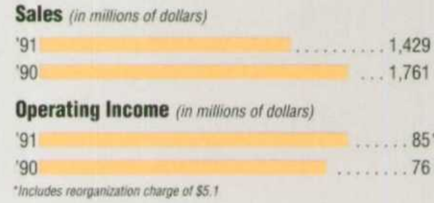
Sales and income in Far East films and adhesives were up significantly in 1991 due to two 1990 acquisitions and despite weak economies in several countries.

• The forest products adhesives operations in Australia, Malaysia and the Philippines posted higher total sales in 1991, even though the principal adhesives market for housing-related products was soft.

• Borden's second Malaysian forest products adhesives plant came on stream during 1991.

• Flexible packaging operations also reported higher 1991 sales, benefiting from the contribution of businesses acquired in 1990 in Australia and New Zealand.

Dairy



Operating income improved 11.9% in 1991, and by 18.6% excluding the charge of $5.1 million. The dollar sales decline of 18.8% largely reflected a geographic downsizing of the business initiated in late 1989, along with lower selling prices in step with lower raw milk costs.

Sales were off just 7.3% excluding discontinued operations, as higher product volumes nearly offset the lower selling prices.

Highlights

Operating Efficiency Improved

Operating results in the ongoing dairy regions improved substantially in 1991 as a result of greater production efficiencies and lower raw milk costs.

• An additional dairy plant was closed in 1991 and production consolidated into the Borden dairy hyperplant at Conroe, Texas, substantially completing the reconfiguration program begun in late 1989.

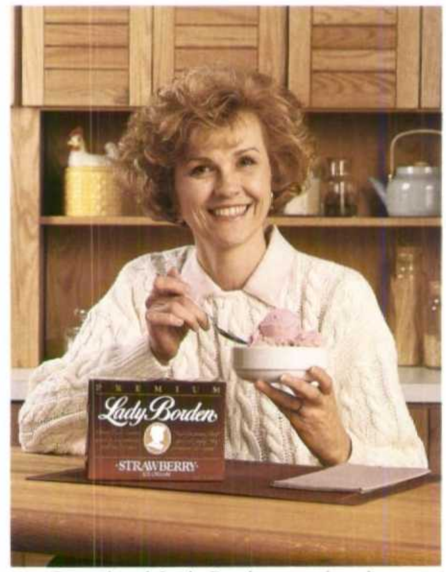
• A hand-held computer system, implemented throughout U.S. dairy operations in 1991, is helping to reduce expenses, provide better sales information and improve customer service.

Strong Brand Growth

Borden and *Meadow Gold* dairy products ranked first or second in sales in 85% of their regional markets in 1991. Growth patterns largely paralleled the Company's efforts to exploit the consumer shift to low-fat and non-fat dairy products.

• *Borden Lite-line* and *Meadow Gold Viva* protein fortified skim milks were the best-selling branded skim milks in their markets.

• An aggressive advertising and promotion campaign helped to build sales for all *Borden* and *Meadow Gold* milk products in 1991. Full-color carton graphics will be launched in 1992 to reinforce consumer preference for Company products.



A reformulated *Lady Borden* premium ice cream, launched in the Northeast in 1991, will roll out to other regions in 1992.

• *Borden* and *Meadow Gold* premium frozen yogurt and *Fat Free* frozen desserts sales were up in 1991. A line of *Fat Free* frozen novelties, one of the industry's first, is slated for 1992 introduction.

• A reformulated and repackaged *Lady Borden* premium ice cream was launched in 1991 in New York and other parts of the Northeast. Significant expansion is planned in 1992.

• *Viva* non-fat cottage cheese enjoyed strong sales in Western markets; *Lite-line* non-fat cottage cheese was launched in Texas and will be rolled out to additional regions in 1992.

• *Mountain High* yogurt broadened its distribution in the West during 1991.

• A 96-ounce orange juice package was added to the *Borden 100% Pure* line of premium juices in 1991 and will be offered to consumers under the *Meadow Gold* brand in 1992.

Packaging and Industrial Products/ Domestic and International

Sales *(in millions of dollars)*

'91	1,827
'90	1,904

Operating Income *(in millions of dollars)*

'91	176*
'90	189

*Includes reorganization charge of $12.5

This division has primary responsibility for the non-food consumer and films and adhesives growth areas and also includes pasta in Brazil.

Worldwide sales were off 4.0% in 1991, and operating income was down 6.6%. Excluding the charge of $12.5 million, operating income held even with the prior year. Recession-related declines in forest products adhesives, and foundry and specialty resins were offset by higher sales and income in worldwide wallcoverings, European films and packaging, and consumer adhesives.

Highlights

Non-Food Consumer

Consumer Adhesives

Record sales and income reflected the successful 1991 introduction of *Elmer's GluColors*, a unique line of decorative glues, and higher income from *Krazy Glue* adhesives.

• *GluColors* helped expand *Elmer's* strong market position in the growing school, stationery and crafts market.

• *Squeez 'N' Caulk* was added to the *Elmer's* line of home improvement products and named the best new product at the National Hardware Show.

Wallcoverings

Worldwide dollar sales of wallcoverings held about even in 1991, despite reduced industrywide product demand in Europe and North America. Higher operating income reflected gains in Canada and the United Kingdom.

• Aggressive brand marketing programs enabled Borden wallcoverings to increase their share of sales and solidify their number one position.

• A major European plant modernization and consolidation, completed in 1991, contributed to the improved profitability.

• Though North American operations also benefited from productivity gains, the recession hurt wallcovering demand, especially for commercial products.

• Orchard Decorative Products posted higher sales for its industrial laminates and added capacity at its Blythewood, South Carolina, plant.

Plastic Films and Packaging

Both the North American and European segments of the films and packaging businesses contributed to higher sales and operating income in 1991.

North America

• *Proponite* food packaging films posted record results in 1991, with sales of *OPPtimum* aluminum metallized film leading the growth.

• Sales of *Resinite* and *Sealwrap* – the leading brands of vinyl foodwrap films – were slightly lower in 1991.

• *Loadmaster* palletwrap film sales were up in 1991.

• Stronger volume in several key markets enabled the Vernon Plastics unit to post higher sales in 1991.

Europe

• Flexible film operations posted higher sales in 1991, partially offset by sluggish demand for rigid packaging.

• Additional polyethylene film capacity was brought into production to meet the growing demand for palletwrap films.

Forest Products Adhesives

Results in North American forest products adhesives were hurt by continued weak housing and construction markets, which affected both sales and income.

• The U.S. and Canadian businesses were consolidated into a unified North American operation.

• Results benefited from the full-year contribution of Astro Industries, a producer of specialty adhesives, acquired in 1990.

• Several new water-resistant adhesives were introduced in 1991.

Elmer's GluColors – a unique line of decorative glues – is targeted to the growing hobby and craft market.

Foundry/Industrial/Specialty Resins

The business consists of foundry materials, industrial phenolic resins and specialty adhesives in the United States and Europe, and U.S. high-technology coatings. Sales and operating income were lower in 1991 because of sluggish end-use markets.

• The overall sales decline was tempered by higher demand for *ALpHASET* and *Betaset* advanced foundry resin binders.

• To meet future demand growth, the final phase of a 50% phenolic resin capacity increase at Louisville, Kentucky, is nearing completion.

• 1991 dollar sales for *LUV* high-technology coatings were hurt by lower industrywide selling prices.

Latin America

Borden's non-food consumer, films and adhesives, and pasta businesses achieved greater operating income despite sharply lower sales resulting from a deep recession in Brazil, the major country of operation.

Partnership Contribution

Borden received about the same income contribution in 1991 from management fees and its 2% general partner interest in the publicly traded Borden Chemicals and Plastics Limited Partnership.

1991 Financial Review

Sales and Earnings

Sales for 1991 decreased 5.2% to $7.235 billion from $7.633 billion in 1990. Net income for 1991 was $294.9 million, a decrease of 18.9% compared to $363.6 million in 1990. Earnings per share were $2.00 in 1991 which represents an 18.7% decline from $2.46 in 1990. Operating results for 1991 include a pretax charge of $71.6 million, $44.0 million after tax or $.30 per share, for a business reorganization and salaried employee severance program.

Dividends

Dividends for 1991 were $1.12 per common share, an increase of 8.2% over 1990. The increase in 1991 represents the eighteenth consecutive yearly increase. Dividends have been paid without interruption for 93 years.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Following is a discussion of the results achieved, financial position and cash flows in terms of the Company as a whole and its four operating divisions for the three most recent years. A three year summary of sales and operating income for the four operating divisions is presented on page 20.

Net sales in 1991 decreased 5.2% to $7.235 billion from 1990 sales of $7.633 billion. Sales for 1990 decreased 0.3% from 1989 sales of $7.653 billion. Sales in 1990 and 1989 included $263.0 million and $567.1 million, respectively, from operations closed or sold in connection with the 1989 reconfiguration program.

In December 1991 the Company recorded a $71.6 million charge, $44.0 million after tax or $.30 per share, to cover business reorganization costs, as well as severance, relocation and other employee-related expenses. The reorganization and severance program is designed to further improve the Company's cost structure and competitive position and will include the reduction of approximately 1,300 salaried employee positions worldwide.

Net income for 1991 was $294.9 million, a decline of 18.9% from $363.6 million in 1990. Earnings per share in 1991 were $2.00 compared to $2.46 in 1990, an 18.7% decrease. Results for 1991 include the reorganization charge discussed above. The 1989 net loss of $60.6 million, or $0.41 per share, included an after-tax charge of $404.4 million, or $2.73 per share, for the 1989 reconfiguration program scheduled to be completed in early 1992.

Income tax expense in 1991 was $166.0 million compared to $212.0 million in 1990. The decrease from 1990 is primarily the result of lower earnings in 1991. The 1991 and 1990 effective tax rates are comparable and both rates reflect the benefit of capital losses from an investment partnership. The lower income tax expense in 1989 of $63.1 million was primarily the result of the 1989 reconfiguration charge, partially offset by a higher effective tax rate in 1989 compared to 1990. The higher 1989 tax rate reflected writeoffs of goodwill and other assets with reduced tax bases in connection with the reconfiguration program.

Division operating income for 1991 decreased 13.8% to $681.0 million from $790.2 million in 1990. Operating income in 1991 includes a charge of $65.6 million for the portion of the total reorganization and severance charge related to the operating divisions. Division operating income in 1989 was $240.9 million and included a reconfiguration charge of $507.6 million. Operating income in 1990 and 1989 included $7.5 million and $22.5 million, respectively, from operations closed or sold in connection with the reconfiguration program.

Grocery Products' 1991 sales decreased 2.2% to $1.912 billion from $1.956 billion in 1990. Operating income decreased 18.1% to $274.7 million from $335.6 million in 1990. Operating income in 1991 includes a reorganization and severance charge of $23.8 million. Excluding the charge, operating income decreased 11.0% compared to 1990. The decrease in sales was primarily the result of the Krylon and MCP divestitures and lower foodservice and cheese sales, partially offset by increased Canadian sales and the 1990 and 1991 acquisitions. The decrease in operating income, apart from the 1991 charge, was due primarily to the impact of recession and increased competition on foodservice margins, lower cheese volume and higher cheese promotion costs, as well as the divestitures. The Division's 1990 sales increased 1.8% from 1989 while operating income increased 41.4% from 1989. Operating income in 1989 included a reconfiguration charge of $85.5 million. Excluding the charge, operating income in 1990

increased 4.0% compared to 1989. The increase in sales was primarily the result of higher pasta, condensed milk and cheese sales, and 1989 acquisitions, substantially offset by the divestitures of Krylon and Galloway-West. The increase in operating income, apart from the 1989 charge, was due primarily to higher cheese selling prices, lower pasta raw material costs, primarily flour, 1989 acquisitions and benefits from plant consolidations, partially offset by the sale of Krylon.

Snacks and International Consumer Products' 1991 sales increased 2.7% to $2.067 billion from $2.013 billion in 1990. Operating income declined 23.6% to $145.2 million from $190.1 million in 1990. Operating income in 1991 includes a reorganization and severance charge of $24.2 million. Excluding the charge, operating income decreased 10.9% compared to 1990. The increase in sales was due primarily to higher sweet snacks, international whole milk powder and Canadian salty snacks sales as well as 1990 international acquisitions, partially offset by lower domestic snacks sales caused by increased competition. The decline in operating income, apart from the 1991 charge, reflects the lower volume and increased marketing costs for domestic snacks caused by competitive market conditions, partially offset by improved results for sweet snacks and international whole milk powder. The Division's 1990 sales increased 13.0% while operating income increased 264.7% over 1989 levels. Operating income in 1989 included a reconfiguration charge of $118.5 million. Excluding the charge, operating income in 1990 increased 11.4% compared to 1989. The increase in sales was due primarily to higher sweet and salty snacks sales, both domestic and international, higher whole milk powder sales and international acquisitions. The increase in operating income, apart from the 1989 charge, was due primarily to higher European sweet snacks sales, lower raw material costs for domestic snacks, benefits from plant consolidations and efficiencies in eastern and central domestic salty snacks businesses, and acquisitions. These increases were partially offset by increased spending to protect the Company's domestic snacks business from new and aggressive competitors, and higher selling and distribution expense.

Dairy's 1991 sales decreased 18.8% to $1.429 billion compared to $1.761 billion in 1990. Operating income improved 11.9% to $85.0 million from $75.9 million in 1990. Operating income in 1991 includes a reorganization and severance charge of $5.1 million. Excluding the charge, operating income increased 18.6% compared to 1990. The decrease in sales reflects the withdrawal from certain market areas in connection with the 1989 reconfiguration program as well as lower selling prices, while the improvement in operating income, excluding the 1991 charge, reflects lower raw milk costs and benefits from the reconfiguration program. The Division's 1990 sales decreased 17.2% and operating income improved to $75.9 million from a loss of $141.8 million in 1989. Operating income in 1989 included a reconfiguration charge of $220.4 million. Excluding the charge, operating income in 1990 decreased 3.4% compared to 1989. The sales decrease resulted primarily from withdrawal from certain market areas in connection with the reconfiguration program, sale of butter operations in December 1989 and lower selling prices due to lower raw milk costs. Excluding the 1989 charge, the decrease in 1990 operating income was due primarily to plant closings in affected market areas and sale of butter operations, partially offset by lower raw milk costs and benefits from the reconfiguration program.

Packaging and Industrial Products Domestic and International's 1991 sales decreased 4.0% to $1.827 billion from $1.904 billion in 1990 and operating income declined 6.6% to $176.1 million from $188.6 million. Operating income in 1991 includes a reorganization and severance charge of $12.5 million. Excluding the charge, operating income was comparable to 1990. The decrease in sales reflects lower Brazilian and specialty resins and foundry products sales partially offset by acquisitions and increased European wallcoverings sales. The Division's 1990 sales increased 4.3% from 1989, while operating income increased by 102.2%. Operating income in 1989 included a reconfiguration charge of $83.2 million. Excluding the charge, operating income in 1990 increased 6.8% compared to 1989. The increase in sales was due primarily to acquisitions and higher European wallcovering, specialty resins and European packaging sales, partially offset by lower Brazil chemical and North American forest products adhesives sales. The increase in operating

Three Year Comparison of Division Sales and Operating Income

(Dollars in millions) *Year Ended December 31,*	**1991***		1990		1989**	
Division Sales						
Grocery Products	**$1,912.2**	**26%**	$1,955.6	26%	$1,921.1	25%
Snacks and International Consumer Products	**2,066.5**	**29**	2,012.8	26	1,781.1	23
Dairy	**1,429.2**	**20**	1,760.9	23	2,126.3	28
Packaging and Industrial Products Domestic and International	**1,827.2**	**25**	1,903.5	25	1,824.8	24
Total	**$7,235.1**	**100%**	$7,632.8	100%	$7,653.3	100%
Division Operating Income						
Grocery Products	**$ 274.7**	**40%**	$ 335.6	42%	$ 237.3	98%
Snacks and International Consumer Products	**145.2**	**21**	190.1	24	52.1	22
Dairy	**85.0**	**13**	75.9	10	(141.8)	(59)
Packaging and Industrial Products Domestic and International	**176.1**	**26**	188.6	24	93.3	39
Total	**681.0**	**100%**	790.2	100%	240.9	100%
Other income and expense not allocable to divisions and income taxes	**(386.1)**		(426.6)		(301.5)	
NET INCOME (LOSS)	**$ 294.9**		$ 363.6		$ (60.6)	

**The reorganization and severance charge to division operating income in 1991 is allocated as follows: $23.8 for Grocery Products, $24.2 for Snacks and International Consumer Products, $5.1 for Dairy, and $12.5 for Packaging and Industrial Products Domestic and International. Other income and expense not allocable to divisions in 1991 includes a charge of $6.0.*

***The reconfiguration charge to division operating income in 1989 is allocated as follows: $85.5 for Grocery Products, $118.5 for Snacks and International Consumer Products, $220.4 for Dairy, and $83.2 for Packaging and Industrial Products Domestic and International. Other income and expense not allocable to divisions in 1989 includes a charge of $63.1.*

income, apart from the 1989 charge, was due primarily to improved results for European wallcoverings, domestic resins and acquisitions, partially offset by sharply lower results for Brazil chemical operations and lower income from the Company's interest in Borden Chemicals and Plastics Limited Partnership.

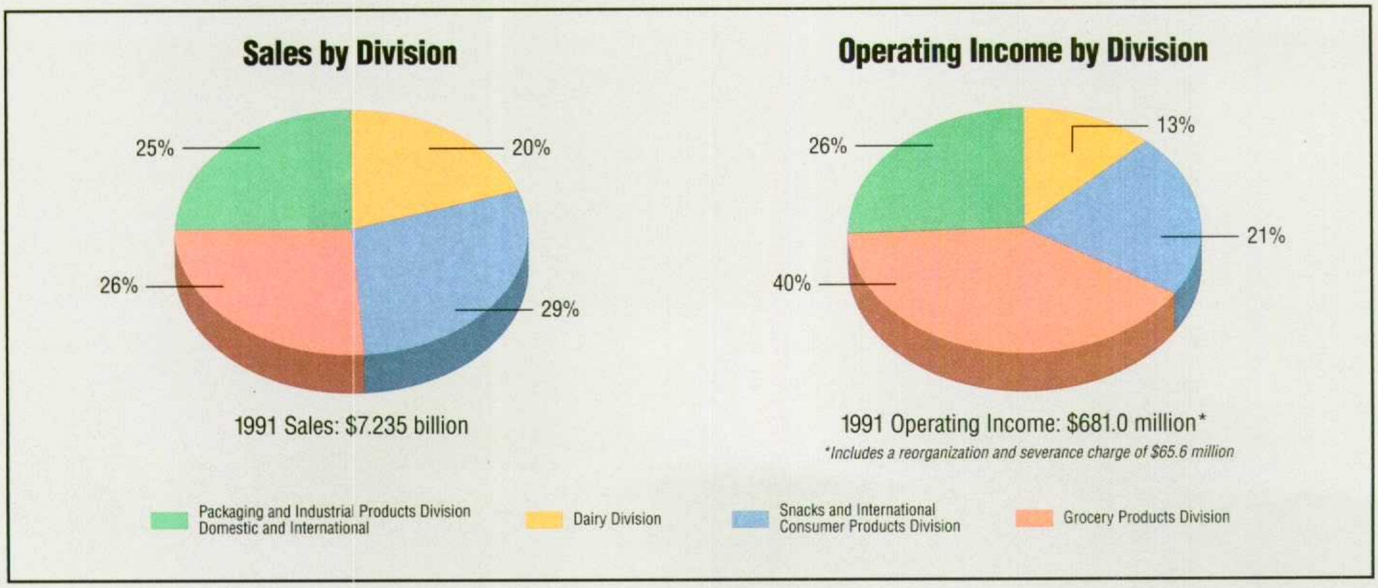
Liquidity and Capital Resources

Borden meets the majority of its operating cash requirements through operations. The amounts provided from operating activities in 1991, 1990 and 1989 were $348.8 million, $295.1 million and $211.9 million, respectively. Cash provided from operating activities for 1991 increased compared to 1990 due primarily to lower spending related to the 1989 reconfiguration program. Cash provided from operating activities for 1990 increased compared to 1989 due primarily to improved cash flows from operations and lower tax payments, partially offset by expenditures related to reconfiguration. The lower income tax payments in 1990 resulted from deductions realized in conjunction with the 1989 reconfiguration program.

Short-term borrowings are utilized to meet temporary cash requirements. Borden borrows domestically at commercial paper rates and has credit agreements with lending institutions to support available commercial paper borrowings. Unused lines of credit totaling $895.0 million were available at December 31, 1991.

In December 1991 three wholly owned subsidiaries of the Company contributed an aggregate of $1,700.5 million in assets to T.M.I. Associates, L. P., a Delaware limited partnership (the Partnership), in exchange for an aggregate 77.28% general partner interest in the Partnership and an outside investor contributed $500.0 million in cash to the Partnership in exchange for a 22.72% limited partner interest. The Company had $500.5 million of short-term borrowings from the Partnership at December 31, 1991 which are being used by the Company to retire certain domestic and foreign borrowings and for general corporate purposes.

Short-term debt decreased $310.4 million in 1991 and increased $439.2 million in 1990 and $25.1 million in 1989. The 1991 decrease is due primarily to refinancing of commercial paper borrowings with proceeds from a $200.0 million issuance of debentures and borrowings from the Partnership. The 1990 increase reflects sub-



stantially higher domestic commercial paper borrowings compared to 1989 which were used for acquisitions and capital expenditures.

In 1991, 1990 and 1989 long-term debt financing provided $223.1 million, $12.8 million and $365.3 million, respectively.

Long-term debt financing in 1991 reflects a $200.0 million issuance of 30-year, 9.2% debentures which were used primarily to repay short-term commercial paper.

Long-term debt financing in 1989 consisted primarily of a $150.0 million issuance of 30-year, 9¼% sinking fund debentures used to repay short-term commercial paper; the issuance of 5-year, 16½% Australian Dollar Notes used to acquire a foreign subsidiary; and foreign bank debt used to acquire a foreign subsidiary.

The Company's strong financial position and earnings history provide a solid base for obtaining substantial financial resources. At December 31, 1991 the Company has the ability to borrow up to $125.0 million under shelf registration statements which provides the Company with the flexibility to enter debt markets quickly and take advantage of favorable market conditions. If required, management believes that additional funding could be obtained at competitive rates and terms.

The Company acquired four operations during 1991 for a total cost of $29.5 million. The 1991 acquisitions include a clam products operation, two bakery operations and a pasta operation. During 1990 the Company acquired 10 operations for a total cost of $157.1 million. The 1990 acquisitions include two pasta and pasta sauce operations, one snacks operation, two flexible packaging operations, two forest products operations, a decorative laminate manufacturer, a dairy operation and a joint venture interest in a glue operation. During 1989 the Company acquired 15 operations for a total cost of $264.3 million. The 1989 acquisitions include a pasta and pasta sauce operation, an industrial foodservice operation, two German bakeries, a maple syrup operation, a dehydrated soup operation, a sterile chocolate milk operation, a snacks operation, two dairy operations, an aerosol and craft paint operation, a wallpaper manufacturer, a plastic films and rigid packaging operation and two industrial products businesses.

Capital expenditures for new facilities and improvements to existing facilities were $376.0 million in 1991, $331.1 million in 1990 and $244.0 million in 1989. Capital expenditures in 1991 and 1990 related to the reconfiguration program were approximately $145.7 million and $106.4 million, respectively. The reconfiguration program expenditures for both years included construction of three dairy plants, four niche grocery plants, two pasta plants and two snacks plants.

During 1990 the Company acquired a majority ownership interest in a partnership which principally holds various high-grade short and medium term investments. Partnership investment transactions resulted in recognized net capital loss tax benefits of $11.7 million and $16.8 million in 1991 and 1990, respectively.

In 1991 the Company acquired .05 million treasury shares at a cost of $1.6 million. In 1990 and 1989 it acquired 1.0 million shares at a cost of $29.4 million and .6 million shares at a cost of $18.1 million, respectively. Treasury shares on hand are held for general corporate purposes.

Borden is actively engaged in complying with environmental protection laws, as well as various Federal and state statutes and regulations relating to manufacturing, processing and distributing its many products. In this connection, the Company incurred capital expenditures of $11.3 million in 1991 compared to $12.0 million in 1990 and $5.6 million in 1989. The Company estimates that it will spend $14.4 million for environmental control facilities during 1992. Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) the Company has potential liability, along with a large number of other companies at approximately 48 waste sites designated for clean up. The Company currently expects to settle 24 of these sites for an insignificant amount. At the remaining sites the Company's volumetric share of waste is generally minor and other financially strong corporations are also involved. The Company believes the realistic range of liability under CERCLA and other environmental statutes and regulations, taking into account its established accruals for estimated liability, would not have a material adverse effect on the Company's financial position or operating results.

New Accounting Pronouncements

In 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. The Statement is currently under review by the FASB and a revised statement is scheduled to be issued during 1992. The currently required implementation date is no later than first quarter 1993. Under the existing Statement, the effect of adoption may be accounted for either prospectively in the year of adoption or through restatement of one or more prior years. The Company currently plans to adopt the revised rules during first quarter 1993; however, because of the forthcoming revisions the Company has not yet determined the method of adoption or the effect such adoption will have on the Company's operating results.

In 1990 the FASB issued Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Statement requires employers to accrue the cost of postretirement benefits during employees' working careers and must be adopted no later than first quarter 1993. The Company expects to recognize an initial liability upon adoption of $200 million to $300 million; the effect on future annual earnings is not expected to be material.

Description of Business and Business Segments

Borden is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products. The Company's operations are divided into two major industry segments: the foods segment and the non-food consumer and industrial segment. Within these segments the Company has identified six business growth areas: pasta and sauce, snacks, niche grocery, dairy, non-food consumer, and films and adhesives. For financial reporting purposes, the Company is organized into four operating divisions: Grocery Products, Snacks and International Consumer Products, Dairy, and Packaging and Industrial Products Domestic and International.

The foods segment includes most of three operating divisions: Grocery Products, Snacks and International Consumer Products and Dairy. The non-food consumer and industrial segment includes primarily Packaging and Industrial Products Domestic and International. For administrative purposes, certain non-food consumer and industrial segment operations are included in Snacks and International Consumer Products and certain foods segment operations are included in Packaging and Industrial Products Domestic and International. Corporate departments provide certain centralized services for all operating units. The Company's general offices are located in Columbus, Ohio, and its executive offices are in New York City. Production facilities are located throughout the United States and in several foreign countries.

The foods segment includes the following major product lines: sweet and salty snacks, pasta and pasta sauces, processed cheese, individual portion and foodservice sized condiments, sweetened condensed milk, non-dairy creamer, reconstituted lemon and lime juices, bouillon, confections, jams and jellies, seafood, dehydrated soups, homogenized milk, whole milk powder, ice cream, sherbet, yogurt, cottage cheese, frozen novelties, low-fat dairy products, milk-based products for industrial trade, and fruit drinks.

The non-food consumer and industrial segment includes wallcoverings and adhesives, transparent wrapping film, adhesives for the forest products industry, resins for the foundry industry and flexible and rigid packaging.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and to a lesser extent directly to wholesalers, retail stores, foodservice businesses, food processors, institutions and governmental agencies. Domestic products for the non-food consumer and industrial segment are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and retailers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, government policy toward industry and foreign investment and other factors may vary substantially from country to country for both industry segments.

The Company's businesses in both industry segments must deal with intense competition on local and national levels, both in the United States and overseas. Total advertising and promotion expenditures increased to $603.3 million in 1991 from $520.2 million in 1990 and $484.3 million in 1989 in order to preserve and expand Borden's market share.

The primary raw materials used by the foods segment businesses are milk, flour, potatoes, corn, vegetable oils and tomato products. The primary raw materials used by the non-food consumer and industrial segment businesses are PVC resins, methanol, phenol and formaldehyde. These raw materials are generally available from numerous sources in sufficient quantities but are subject to price fluctuations. Long-term purchase agreements are used in certain circumstances to assure availability of adequate raw material supplies at guaranteed prices.

Research and development expenditures were $30.3 million in 1991, $31.1 million in 1990 and $26.6 million in 1989. The development and marketing of new food and packaging and industrial products is carried out at the division level and is integrated with quality controls for existing product lines.

Working capital for both segments is generally funded through operations or short-term borrowings.

A breakdown of the Company's sales, operating profit and other information between the foods and non-food consumer and industrial business segments is presented on page 24.

Segment operating profit is total revenue less operating expenses. The 1991 operating profit reflects a charge of $65.6 million for the reorganization and severance program and 1989 operating profit included a charge of $507.6 million for the reconfiguration program. These amounts represent the portions of the total charges related to the Company's two business segments. In computing segment operating profit, none of the following items have been deducted from revenue: general corporate expenses, interest expense and Federal, state and local income taxes.

Identifiable assets by segment are those assets that are used in the segment's operations. Corporate assets are principally cash and cash equivalents.

As of December 31, 1991 the Company operated 92 domestic food manufacturing and processing facilities in 37 states and Puerto Rico. The most significant of these facilities are an Illinois plant producing *Cracker Jack,* bouillon and dehydrated soup, an Alabama plant producing *Bama* jams and jellies and *ReaLemon* lemon juice, the Arizona, Massachusetts, Michigan, Minnesota and Missouri pasta plants, the California, Pennsylvania and Mississippi foodservice plants, the Missouri and Pennsylvania snacks plants and dairy facilities located throughout the country. In addition, the Company operated 47 foreign food manufacturing and processing facilities located principally in Canada, Latin America and Western Europe.

As of December 31, 1991 the Company operated 39 domestic non-food consumer and industrial manufacturing and processing facilities in 20 states, the most significant being the Resinite plants in Georgia, Massachusetts and Texas, the Proponite plant in Massachusetts, the forest products adhesives plants in Oregon and North Carolina and the specialty resins plant in Kentucky. In addition, the Company operated 66 foreign non-food consumer and industrial manufacturing and processing facilities located principally in Brazil, Canada, the Far East and Western Europe.

The Company's manufacturing and processing facilities are generally well maintained and effectively utilized. Substantially all facilities are owned by the Company.

Business Segments

(In millions)	Year Ended December 31,	1991*	1990	1989**
Net Sales	Foods	**$5,323.2**	$5,629.4	$5,720.6
	Non-Food Consumer and Industrial	**1,911.9**	2,003.4	1,932.7
	Total	**$7,235.1**	$7,632.8	$7,653.3
Operating Profit	Foods	**$ 485.6**	$ 583.0	$ 103.3
	Non-Food Consumer and Industrial	**195.4**	207.2	137.6
	Total segments	**681.0**	790.2	240.9
	General Corporate expense, net	**(21.7)**	(27.7)	(78.2)
	Interest expense	**(198.4)**	(186.9)	(160.2)
	Earnings before income taxes	**$ 460.9**	$ 575.6	$ 2.5
Identifiable Assets	Foods	**$3,708.5**	$3,528.3	$3,322.1
	Non-Food Consumer and Industrial	**1,439.5**	1,447.2	1,255.5
	Total segments	**5,148.0**	4,975.5	4,577.6
	Corporate assets	**333.3**	308.8	247.3
	Total	**$5,481.3**	$5,284.3	$4,824.9
Depreciation and Amortization	Foods	**$ 157.2**	$ 149.6	$ 135.5
	Non-Food Consumer and Industrial	**46.2**	43.7	47.2
Capital Expenditures	Foods	**$ 303.4**	$ 260.1	$ 168.2
	Non-Food Consumer and Industrial	**66.0**	63.4	67.4
Geographic Information	Net Sales			
	United States	**$4,966.3**	$5,467.4	$5,829.5
	Europe	**1,179.6**	1,124.5	876.5
	Other	**1,089.2**	1,040.9	947.3
	Total	**$7,235.1**	$7,632.8	$7,653.3
	Operating Profit			
	United States	**$ 458.2**	$ 569.6	$ 113.4
	Europe	**102.1**	98.5	58.2
	Other	**120.7**	122.1	69.3
	Total	**$ 681.0**	$ 790.2	$ 240.9
	Identifiable Assets			
	United States	**$3,625.1**	$3,482.9	$3,265.8
	Europe	**1,027.4**	1,059.1	906.6
	Other	**828.8**	742.3	652.5
	Total	**$5,481.3**	$5,284.3	$4,824.9

**The reorganization and severance charge to segment operating profit in 1991 is allocated as follows: $53.1 for the foods segment and $12.5 for the non-food consumer and industrial segment; and $39.0 for U.S. operations, $7.4 for European operations and $19.2 for other foreign operations.*

***The reconfiguration charge to segment operating profit in 1989 is allocated as follows: $441.5 for the foods segment and $66.1 for the non-food consumer and industrial segment; and $444.7 for U.S. operations, $19.2 for European operations and $43.7 for other foreign operations.*

Consolidated Statements of Income

(In millions except per share data)	*Year Ended December 31,*	**1991**	**1990**	**1989**
Revenue	Net sales	**$7,235.1**	$7,632.8	$7,653.3
Costs and Expenses	Cost of goods sold	**5,008.1**	5,433.5	5,701.1
	Marketing, general and administrative expenses	**1,524.7**	1,457.5	1,236.0
	Reorganization and reconfiguration charges	**71.6**		570.7
	Interest expense	**198.4**	186.9	160.2
	Equity in income of affiliates	**(23.9)**	(23.1)	(17.0)
	Other (income) and expense, net	**(4.7)**	2.4	(.2)
	Income taxes	**166.0**	212.0	63.1
		6,940.2	7,269.2	7,713.9
Earnings	Net income (loss)	**$ 294.9**	$ 363.6	$ (60.6)
Share Data	Net income (loss) per common share	**$ 2.00**	$ 2.46	$ (0.41)
	Cash dividends per common share	**1.12**	1.035	0.90
	Average number of common shares outstanding during the year	**147.6**	147.9	148.2

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

(In millions except share and per share data)	*December 31,*	1991	1990
ASSETS			
Current Assets	Cash and equivalents	$ 208.3	$ 161.8
	Accounts receivable (less allowance for doubtful accounts of $10.2 and $10.9, respectively)	917.0	919.8
	Inventories:		
	Finished and in process goods	404.3	398.9
	Raw materials and supplies	251.1	266.6
	Other current assets	160.5	279.0
		1,941.2	2,026.1
Investments and Other Assets	Investments in and advances to affiliated companies	81.3	75.9
	Other assets	237.6	161.6
		318.9	237.5
Property and Equipment	Land	122.8	113.1
	Buildings	782.1	675.1
	Machinery and equipment	2,338.7	2,220.8
		3,243.6	3,009.0
	Less accumulated depreciation	(1,339.9)	(1,302.2)
		1,903.7	1,706.8
Intangibles	Intangibles resulting from business acquisitions (net of accumulated amortization of $182.9 and $136.7, respectively)	1,317.5	1,313.9
		$5,481.3	$5,284.3

See Notes to Consolidated Financial Statements

	December 31,	1991	1990
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Debt payable within one year	**$ 419.3**	$ 756.8
	Accounts and drafts payable	**591.9**	558.2
	Reconfiguration reserve		54.9
	Income taxes	**75.1**	100.3
	Other current liabilities	**347.4**	376.8
		1,433.7	1,847.0
Other	Long-term debt	**1,345.8**	1,339.8
	Deferred income taxes	**187.8**	202.3
	Other long-term liabilities	**25.0**	36.2
	Minority interest	**514.5**	17.4
		2,073.1	1,595.7
Shareholders' Equity	Common stock – $0.625 par value Authorized 480,000,000 shares Issued 201,983,374 shares	**126.2**	126.2
	Paid-in capital	**314.9**	310.4
	Accumulated translation adjustment and other	**(52.7)**	(50.1)
	Retained earnings	**2,127.3**	1,997.4
		2,515.7	2,383.9
	Less common stock in treasury (at cost) – 54,499,760 shares and 54,712,696 shares, respectively	**(541.2)**	(542.3)
		1,974.5	1,841.6
		$5,481.3	$5,284.3

Consolidated Statements of Cash Flows

(In millions)	*Year Ended December 31,*	1991	1990	1989
Cash Flows From Operating Activities	Net income (loss)	**$294.9**	$363.6	$(60.6)
	Adjustments to reconcile net income (loss) to net cash from operating activities:			
	Depreciation and amortization	**216.9**	197.3	186.0
	Reorganization and reconfiguration	**(65.0)**	(286.5)	401.4
	Net change in trade receivables	**19.9**	47.9	(55.1)
	Net change in inventories	**7.6**	1.5	(3.6)
	Net change in trade payables	**(15.1)**	(20.4)	(4.3)
	Net change in current and deferred taxes	**63.4**	131.2	(81.6)
	Net change in other assets	**(99.0)**	(91.7)	(95.2)
	Other, net	**(74.8)**	(47.8)	(75.1)
		348.8	295.1	211.9
Cash Flows From Investing Activities	Purchase of businesses	**(29.5)**	(157.1)	(264.3)
	Capital expenditures	**(376.0)**	(331.1)	(244.0)
	Purchase of investments		(98.1)	
	Divestiture of businesses	**94.1**	176.4	124.3
		(311.4)	(409.9)	(384.0)
Cash Flows From Financing Activities	Minority interest	**500.0**		
	(Decrease) increase in short-term debt	**(310.4)**	439.2	25.1
	Reduction in long-term debt	**(244.2)**	(102.4)	(94.4)
	Long-term debt financing	**223.1**	12.8	365.3
	Dividends paid	**(165.0)**	(152.8)	(133.0)
	Issuance of stock under stock options and benefits and awards plans	**7.2**	5.3	18.4
	Acquisition of treasury stock	**(1.6)**	(29.4)	(18.1)
		9.1	172.7	163.3
	Increase (decrease) in cash and equivalents	**46.5**	57.9	(8.8)
	Cash and equivalents at beginning of year	**161.8**	103.9	112.7
	Cash and equivalents at end of year	**$208.3**	$161.8	$103.9
Supplemental Disclosures of Cash Flow Information:	Interest paid	**$177.5**	$170.1	$125.7
	Taxes paid	**102.6**	80.8	144.7

See Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock	Paid-In Capital	Accumulated Translation Adjustment And Other	Retained Earnings	Treasury Stock
Balance, December 31, 1988	$126.2	$295.8	$(49.8)	$1,980.2	$(503.9)
Net loss				(60.6)	
Cash dividends				(133.0)	
Translation adjustments			(9.8)		
Treasury stock purchased					(18.1)
Stock issued for preferred series B converted, exercised options and benefits and awards plans		11.9			6.5
Balance, December 31, 1989	126.2	307.7	(59.6)	1,786.6	(515.5)
Net income				363.6	
Cash dividends				(152.8)	
Translation adjustments			27.4		
Treasury stock purchased					(29.4)
Stock issued for preferred series B converted, exercised options and benefits and awards plans		2.7			2.6
Minimum pension liability adjustment			(17.9)		
Balance, December 31, 1990	126.2	310.4	(50.1)	1,997.4	(542.3)
Net income				**294.9**	
Cash dividends				**(165.0)**	
Translation adjustments			**(19.1)**		
Treasury stock purchased					**(1.6)**
Stock issued for preferred series B converted, exercised options and benefits and awards plans		**4.5**			**2.7**
Minimum pension liability adjustment			**16.5**		
Balance, December 31, 1991	**$126.2**	**$314.9**	**$(52.7)**	**$2,127.3**	**$(541.2)**

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(Dollars in millions except per share data)

1. Summary of Significant Accounting Policies

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Cash and Cash Equivalents/Statements of Cash Flows—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has determined that the effect of exchange rate changes on cash flows is not material.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on estimated useful lives of properties (average rates for buildings 3.4%; machinery and equipment 6.9%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, related cost and accumulated depreciation are removed from the accounts.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the consolidated balance sheets. It is the Company's policy to carry intangibles arising prior to November 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October 1970 are being amortized on a straight-line basis over not more than forty years.

Income Taxes—The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of timing differences between income for financial reporting and tax purposes. A substantial portion of the undistributed earnings of foreign subsidiaries has been reinvested and is not expected to be remitted to the parent company. Accordingly, no Federal income taxes have been provided on such earnings and at December 31, 1991 the cumulative amount of reinvested income was approximately $610.0.

In 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. The Statement is currently under review by the FASB and a revised statement is scheduled to be issued during 1992. The currently required implementation date is no later than first quarter 1993. Under current provisions of the Statement, the effect of adoption may be accounted for either prospectively in the year of adoption or through restatement of one or more prior years. The Company currently plans to adopt the revised rules during first quarter 1993; however, because of the forthcoming revisions the Company has not yet determined the method of adoption or the effect such adoption will have on the Company's operating results.

Pension, Postretirement Benefits and Retirement Savings Plans—Substantially all of the Company's employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expense is determined pursuant to the provisions of FASB Statement No. 87, "Employers' Accounting for Pensions." The Company funds pension costs in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

The Company provides certain health and life insurance benefits for eligible retired employees. The cost of providing these benefits to retired employees under

Company plans is recognized as a charge to income in the year the benefits are paid. In 1990 the FASB issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Statement requires employers to accrue the cost of postretirement benefits during employees' working careers and must be adopted no later than first quarter 1993. The Company expects to recognize an initial liability upon adoption of $200 to $300; the effect on future annual earnings is not expected to be material.

Substantially all domestic and Canadian salaried and non-bargaining hourly employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

Earnings Per Share—Earnings per common share are computed based on the weighted average number of common shares outstanding.

Financial Instruments—The Company uses forward exchange contracts and currency swaps to hedge certain net foreign investments, firm commitments and transactions denominated in foreign currencies. Gains and losses on forward contracts are deferred and offset against foreign exchange gains or losses on the underlying hedged item. Premiums on currency swaps which hedge net foreign investments are recorded in the accumulated translation adjustment account to offset translation adjustments.

The Company uses interest rate swaps to manage interest rate risk. The interest differentials from these swaps are recorded in interest expense.

2. Foreign Affiliates

Assets and liabilities of foreign affiliates are generally translated at current exchange rates and related translation adjustments are reported as a component of shareholders' equity. For entities in highly inflationary countries, a combination of current and historical rates are used in translating assets and liabilities and related exchange adjustments are included in net income.

After translation into U.S. dollars, the Company's proportionate share of net assets of foreign affiliates included in the consolidated financial statements was $997.0 at December 31, 1991 and $815.0 at December 31, 1990.

Realized and unrealized net foreign exchange losses aggregating $11.6, $26.4 and $23.4 were charged against net income in 1991, 1990 and 1989, respectively.

At December 31, 1991 and 1990 the Company had aggregate foreign exchange contracts of $139.8 and $128.2, respectively, which expire within three years.

3. Reorganization and Reconfiguration Charges

In December 1991 the Company recorded a $71.6 charge which reduced net income by $44.0. The charge covers business reorganization costs as well as severance, relocation and other employee-related expenses. The reorganization and severance program is designed to further improve the Company's cost structure and competitive position and will include the reduction of approximately 1,300 salaried employee positions worldwide.

In 1989 the Company recorded a $570.7 charge which reduced net income by $404.4. The charge covered programs to reconfigure production and distribution in certain of its businesses and to restructure its dairy operations. The reconfiguration program involved primarily the closure of several small or older plants to consolidate production into larger more efficient operations. The dairy restructuring involved the closure or sale of several dairy plants located in non-growth market areas. Related personnel and other costs to streamline and consolidate production and distribution were also included in the reserve.

Sales in 1990 and 1989 included $263.0 and $567.1, respectively, and operating income in 1990 and 1989 included $7.5 and $22.5, respectively, from operations closed or sold in connection with the reconfiguration program.

4. Debt, Lease Obligations and Related Commitments

Debt outstanding at December 31, 1991 and 1990 is as follows:

	1991		1990	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
10⅝% Canadian Dollar Notes due 1993	**$ 55.2**		$ 57.0	
16½% Australian Dollar Notes due 1994	**94.9**		104.7	
10¼% Notes due 1995	**92.0**		100.0	
9⅞% Notes due 1997	**119.2**		125.0	
Medium Term Notes, Series A (at an average rate of 7.9% and 7.9%, respectively)	**185.0**	**$ 30.0**	215.0	$ 30.0
9.2% Debentures due 2021	**190.0**			
Sinking fund debentures:				
8⅜% due 2016	**90.0**		97.0	
9¼% due 2019	**81.7**		150.0	
Commercial paper (at an average rate of 5.2% and 9.0%, respectively)	**300.0**		300.0	
Industrial Revenue Bonds (at an average rate of 8.4% and 8.5%, respectively)	**55.6**	**4.7**	70.1	1.1
Other (at an average rate of 10.0% and 9.3%, respectively)	**82.2**	**19.8**	121.0	50.6
Total current maturities of long-term debt		**54.5**		81.7
Short-term debt:				
Commercial paper (at an average rate of 5.3% and 9.0%, respectively)		**160.0**		353.6
Other (primarily foreign bank loans at an average rate of 10.9% and 12.0%, respectively)		**204.8**		321.5
Total debt	**$1,345.8**	**$419.3**	**$1,339.8**	**$756.8**

At December 31, 1991 and 1990 the Company had interest rate swap agreements covering $300.0 of commercial paper classified as long-term debt. These agreements, which mature in 1995 and 1996, effectively replace variable interest rates on the commercial paper with a fixed rate of 9.8%.

The Company also uses currency swap agreements to convert the 10⅝% Canadian Dollar Notes and the 16½% Australian Dollar Notes into a 10.8% British Sterling obligation and a 11.1% Canadian Dollar obligation, respectively. The maturities of the currency swap agreements generally match those of the underlying notes.

The Company is exposed to credit loss in the event of nonperformance by the other parties to the swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1991 are as follows:

	Long-Term Debt	Minimum Rentals on Operating Leases
1992	$ 54.5	$ 52.0
1993	124.7	42.5
1994	160.0	35.5
1995	429.1	29.0
1996	52.9	24.6
1997 and beyond	579.1	88.7

The average amount of short-term commercial paper outstanding was $395.0 during 1991 and $223.0 during 1990, and the average amount of other short-term debt was $335.9 during 1991 and $263.0 during 1990. The respective weighted average interest rates for short-term commercial paper and other short-term debt were 5.8% and 10.4% during 1991, and 8.2% and 11.5% during 1990. Maximum month-end borrowings were $543.0 in 1991 and $423.0 in 1990 for short-term commercial paper, and $391.1 in 1991 and $322.0 in 1990 for other short-term debt. The Company has unused credit agreements of $895.0 at December 31, 1991.

The Company has capitalized interest related to the cost of acquiring certain fixed assets. The total interest costs incurred and the portions capitalized were $208.2 and $9.8 in 1991, $191.4 and $4.5 in 1990 and $162.4 and $2.2 in 1989.

5. Income Taxes

Comparative analyses of the provisions for income taxes follows:

	1991	1990	1989
Current			
Federal	**$ 25.8**	$ 63.4	$ 76.8
State and Local	**7.1**	14.9	3.7
Foreign	**50.1**	33.0	65.1
	83.0	111.3	145.6
Deferred			
Federal	**57.5**	63.7	(65.4)
State and Local	**8.1**	8.7	(15.6)
Foreign	**17.4**	28.3	(1.5)
	83.0	100.7	(82.5)
	$166.0	$212.0	$ 63.1

The deferred tax provisions in 1991, 1990 and 1989 include $11.4, $59.4 and $(114.7), respectively, for the tax effects of costs and expenses related to the reorganization and reconfiguration programs which are deductible for income tax purposes in years when the assets are disposed or expenditures incurred and which were charged against 1991 and 1989 operating results. The deferred tax provisions in 1991, 1990 and 1989 also reflect accelerated write-offs of property and equipment costs of $15.5, $3.6, and $1.2, respectively, and a pension contribution with a tax effect of $10.4 in 1991.

Reconciliations of the differences between income taxes computed at Federal statutory tax rates and consolidated provisions for income taxes are as follows:

	1991	1990	1989
Income taxes computed at Federal statutory tax rate	**$156.7**	$195.7	$ .9
State tax provision, net of Federal benefits	**10.0**	15.6	(7.8)
Foreign tax differentials	**2.8**	9.5	4.1
Capital loss benefit	**(11.7)**	(16.8)	
Reconfiguration and restructuring programs, primarily write-offs of assets with reduced tax bases			51.0
Other—net	**8.2**	8.0	14.9
Provisions for income taxes	**$166.0**	$212.0	$ 63.1

The domestic and foreign components of income before income taxes are as follows:

	1991	1990	1989
Domestic	**$276.1**	$425.2	$(141.5)
Foreign	**184.8**	150.4	144.0
	$460.9	$575.6	$ 2.5

6. Minority Interest

In December 1991 three wholly owned subsidiaries of the Company contributed an aggregate of $1,700.5 in assets to T.M.I. Associates, L. P., a Delaware limited partnership (the Partnership), in exchange for an aggregate 77.28% general partner interest in the Partnership. The contributed assets consisted of selected trademarks which are licensed to the Company pursuant to exclusive long-term license agreements, a long-term note guaranteed by the Company and cash. Additionally, an outside investor contributed $500.0 in cash to the Partnership in exchange for a 22.72% limited partner interest. The Partnership is a separate and distinct legal entity from the Company whose purpose is to invest in and manage a portfolio of assets. For financial reporting purposes the Partnership's assets and liabilities are consolidated with those of the Company and the outside investor's 22.72% interest in the Partnership is included in the Company's financial statements as minority interest.

7. Pension, Postretirement Benefits and Retirement Savings Plans

For substantially all salaried employees, the Company's pension plans provide benefits generally based on compensation and credited service. For hourly employees, the plans provide benefits based on specified amounts per year of credited service.

Following are the components of the net pension expense (credits) recognized by the Company:

	1991	1990	1989
Service cost—benefits earned during the period	**$13.1**	$ 15.5	$15.2
Interest cost on the projected benefit obligation	**47.4**	45.9	45.1
Actual return on plan assets	**(93.7)**	38.2	(99.9)
Net amortization and deferral	**33.5**	(101.8)	37.3
Net periodic pension expense (credit)	**$ .3**	$ (2.2)	$(2.3)

The weighted average rates used to determine net periodic pension expense were as follows:

	1991	1990	1989
Discount rate	**9.3%**	8.8%	9.7%
Rate of increase in future compensation levels	**5.9**	6.3	7.0
Expected long-term rate of return on plan assets	**10.9**	10.4	11.2

Most employees not covered by the Company's plans are covered by collectively bargained agreements which are generally effective for periods from one to five years. Under Federal pension law, there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such trust, and under certain other specified conditions. Operations were charged $7.6, $8.4 and $9.5 in 1991, 1990 and 1989, respectively, for payments to pension trusts on behalf of employees not covered by the Company's plans.

The funded status of the plans and amounts included in the Company's balance sheets at December 31, 1991 and 1990 were as follows:

	1991		1990	
	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	**$ 574.4**	**$ 4.5**	$102.3	$ 418.1
Actuarial present value of:				
Vested benefit obligations	**(501.5)**	**(22.2)**	(55.9)	(429.9)
Accumulated benefit obligations	**(521.9)**	**(27.5)**	(59.1)	(448.6)
Projected benefit obligations	**(549.2)**	**(34.0)**	(67.1)	(463.4)
Plan assets greater (less) than projected benefit obligation	**25.2**	**(29.5)**	35.2	(45.3)
Unrecognized prior service (benefit) cost	**(14.4)**	**.8**	(.4)	(16.2)
Unrecognized loss (gain)	**87.6**	**5.3**	(3.2)	79.1
Unrecognized net transition (asset) obligation	**(24.7)**	**5.6**	(4.5)	(19.7)
Minimum liability adjustment		**(7.3)**		(29.9)
Net pension asset (liability)	**$ 73.7**	**$(25.1)**	$ 27.1	$ (32.0)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation were 8.5% and 5.3%, respectively, as of December 31, 1991, and 9.3% and 6.7%, respectively, as of December 31, 1990.

Plan assets consist primarily of equity securities and corporate obligations. Common stock of the Company accounted for approximately 11% of the total market value of plan assets at both December 31, 1991 and 1990.

The charges to operations for health and life insurance benefits to retired employees amounted to $14.4, $12.2 and $8.9 in 1991, 1990 and 1989, respectively.

Charges to operations under the Company's retirement savings plans in 1991, 1990 and 1989 amounted to \$21.6, \$19.4 and \$17.8, respectively. For the retirement savings plan for salaried employees, the Company's matching contribution was 100% for each of the three years of eligible employee contributions. Eligible contributions were 5% for all participating salaried employees and as much as 7% for longer service salaried employees. For hourly non-bargaining employees, the Company's matching contribution was 100% in 1991 and 1990 and 80% in 1989, of every dollar of eligible employee contributions. Eligible contributions were 5% for all participating hourly non-bargaining employees.

8. Shareholders' Equity

The Company has authorized 10,000,000 shares of no-par preferred series B stock. At December 31, 1991 and 1990 7,496 and 7,589 shares, respectively were issued and outstanding. Each share of the preferred series B stock has an involuntary liquidating value of \$28.88, bears an annual cumulative dividend of \$1.32, is convertible into 6.6 common shares, and is redeemable at the Company's option at \$39. At December 31, 1991 49,474 common shares were reserved for conversion of preferred series B stock.

Under a Preferred Share Purchase Rights Plan, each outstanding share of common stock has one preferred stock purchase right (Right) which entitles shareholders to purchase, under certain circumstances, one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of \$175, subject to adjustment. The Rights may only be exercised if a person or group acquires 20% or more of the Company's common stock or announces a tender or exchange offer for 20% or more of the common stock. In the event the Company is involved in a merger or other business combination transaction in which the Company does not survive or in which its common stock is exchanged, each holder of a Right will be entitled to purchase, at the exercise price, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right.

Following is an analysis of common shares reserved for stock options under the Company's 1974 and 1984 Stock Option Plans as Amended:

	Shares	Price Range
At December 31, 1988	2,855,860	\$ 4.23-29.25
Grants	1,013,984	36.06
Exercises	(406,612)	4.28-27.845
Expirations and cancellations	(101,038)	4.23-27.845
At December 31, 1989	3,362,194	\$ 4.23-36.06
Grants	581,500	31.56
Exercises	(235,923)	4.23-29.25
Expirations and cancellations	(47,912)	26.81-36.06
At December 31, 1990	3,659,859	\$ 4.23-36.06
Grants	**898,650**	**32.06**
Exercises	**(226,155)**	**4.78-36.06**
Expirations and cancellations	**(35,890)**	**8.22-36.06**
At December 31, 1991	**4,296,464**	**\$ 4.78-36.06**

At December 31, 1991 3,397,814 options were exercisable. The Company's 1984 Stock Option Plan as Amended provides for the grant of options to purchase up to 9,700,000 shares of the Company's common stock. The Plan expires in 1993 and no further options may be granted thereafter. At December 31, 1991 there were 3,076,622 shares available for future grants.

9. Acquisitions and Divestitures

During 1991 the Company acquired four operations for a total cost of \$29.5. The 1991 acquisitions include a clam products operation, two bakery operations and a pasta operation. During 1990 the Company acquired 10 operations for a total cost of \$157.1. The 1990 acquisitions include two pasta and pasta sauce operations, one snacks operation, two flexible packaging operations, two forest products operations, a decorative laminate manufacturer, a dairy operation and a joint venture interest in a glue operation. During 1989 the Company acquired 15 operations for a total cost of \$264.3. The 1989 acquisitions include a pasta and pasta sauce operation, an industrial foodservice operation, two German bakeries, a maple syrup operation, a dehydrated soup operation, a sterile chocolate milk operation, a snacks operation, two dairy operations, an aerosol and craft paint operation, a wallpaper manufacturer, a plastic films and rigid packaging operation and two industrial products businesses.

During 1991 the Company disposed of one operation for $94.1 in cash; during 1990 the Company disposed of three operations and four dairy plants for $176.4 in cash; and during 1989 the Company disposed of five operations for $124.3 in cash.

10. Commitments

In connection with the 1987 sale of its basic chemicals and PVC resins business to Borden Chemicals and Plastics Limited Partnership (the Partnership), the Company agreed, subject to certain limitations, to provide additional cash to the Partnership, if necessary, to support the payment by the Partnership of its minimum quarterly distribution on all preference units through December 31, 1992. This commitment is limited to an aggregate of approximately $118.0, subject to reduction under certain circumstances. In connection with the 1988 sale of all common units, the Company also agreed to make direct payments to common unitholders equal to, on a per unit basis, any excess of cash distributed by the Partnership to preference unitholders over that distributed to common unitholders. The total commitment is limited to an aggregate of approximately $36.0. In addition, a wholly owned subsidiary of the Company, as general partner, manages and controls the activities of the Partnership and has fiduciary responsibilities to the Partnership's unitholders. The management of the Company believes that any payments pursuant to this commitment or any fiduciary responsibilities will not have a material adverse effect on the financial condition of the Company.

11. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 22-24 of this Annual Report and is an integral part of the consolidated financial statements.

12. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1991	1990	1989
Maintenance and repairs	**$134.1**	$148.3	$155.7
Depreciation and amortization (including amortization of $48.1, $35.4 and $29.7, respectively)	**216.9**	197.3	186.0
Advertising and promotions (including promotions of $468.0, $406.3 and $370.0, respectively)	**603.3**	520.2	484.3
Research and development	**30.3**	31.1	26.6
Rent	**86.2**	80.0	72.6

13. Quarterly Financial Data (Unaudited)

1991 Quarters	First	Second	Third	Fourth
Net sales	$1,720.8	$1,803.0	$1,865.7	$1,845.6
Gross profit	505.8	549.1	590.2	581.9
Net income	63.3	89.7	98.8	43.1
Per share of common stock:				
Earnings	0.43	0.61	0.67	0.29
Dividends*	0.265	0.285	0.285	0.285
Market price range:				
Low	27½	33½	31¾	29⅛
High	36½	38¾	37⅞	34¼

1990 Quarters	First	Second	Third	Fourth
Net sales	$1,892.4	$1,902.9	$1,942.5	$1,895.0
Gross profit	494.4	540.5	590.3	574.1
Net income	63.1	90.4	107.8	102.3
Per share of common stock:				
Earnings	0.43	0.61	0.73	0.69
Dividends*	0.24	0.265	0.265	0.265
Market price range:				
Low	30⅝	31	29½	27
High	36⅜	36⅜	37⅞	34⅜

**Dividends on preferred series B stock were $.33 in each quarter during 1991 and 1990.*

Report of Management

The management of Borden, Inc. is responsible for the preparation of all information, including the financial statements and related notes, included in this Annual Report to Shareholders. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts based on the best judgment of management. Financial information included elsewhere in this Annual Report is consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, management maintains a system of internal accounting controls. This system includes an organizational structure with clearly defined lines of responsibility and delegation of authority. To assure the effective administration of internal controls, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communication channels are provided to foster an environment conducive to the effective functioning of controls.

The system is supported by an internal auditing function that operates worldwide and reports its findings to management throughout the year. The Company's independent accountants are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of management in carrying out its responsibility for reporting operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal accounting controls and the data contained in the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with independent accountants, management and internal auditors to review the work performed and to ensure that each is properly discharging its responsibilities. The independent accountants and the internal auditors independently have full and free access to the Committee, without the presence of management, to discuss the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.

A. S. D'Amato
A. S. D'Amato
President and
Chief Executive
Officer

L. O. Doza
L. O. Doza
Senior Vice President
and Chief Financial
Officer

Report of Independent Accountants

Price Waterhouse

Price Waterhouse
The Huntington Center
41 South High Street
Columbus, OH 43215

January 28, 1992

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Borden, Inc. and its subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Officers

Office of the Chairman

R. J. VENTRES
Chairman

A. S. D'AMATO
President and
Chief Executive Officer

JON G. HETTINGER
Executive Vice President,
President – Grocery
Products Division

JOSEPH M. SAGGESE
Executive Vice President,
President – Packaging and
Industrial Products Division
Domestic and International

GEORGE J. WAYDO
Executive Vice President,
President – Snacks and
International Consumer
Products Division

Corporate Senior Vice Presidents

LAWRENCE O. DOZA
Chief Financial Officer

ALLAN L. MILLER
Chief Administrative Officer

FRANK L. FLORIAN
Planning

JAMES T. McCRORY
Public Affairs

Operating Executives

Grocery Products Division

RICHARD W. FOWLKES
Senior Group Vice President
President – U.S. Milk Operations

JOHN F. DIX
Group Vice President – Niche Grocery

RONALD C. KESSELMAN
Group Vice President – Foodservice

MITCHELL WIENICK
Group Vice President – Refrigerated and Frozen Products

North American Pasta Product Operations

L. JOHN WESTERBERG
Group Vice President
President – North American Pasta Products

LEE N. ARST
Group Vice President – North American Pasta Products

Packaging and Industrial Products Division Domestic and International

ROBERT G. JENKINS
Group Vice President – Forest Products

Snacks and International Consumer Products Division

DAN O'RIORDAN
Senior Group Vice President – International

PETER M. DUGGAN
Group Vice President – Eastern Snacks

Corporate Vice Presidents

JUDY BARKER
Social Responsibility
President, The Borden Foundation

W. BAILEY BARTON
Health and Environment

JAMES M. HESS
General Controller

KAREN L. JOHNSON
Consumer Affairs

DAVID A. KELLY
Treasurer

PHILIP J. KEUPER
Public Affairs

WALTER W. KOCHER
General Counsel

JOSEPH A. McCAHERY
General Auditor

EUGENE N. SKIEST
Science and Technology

FRANK H. VOIGT
Employee Relations

Staff Departments

PAUL J. JOSENHANS
Secretary and Associate General Counsel

ELLEN GERMAN BERNDT
Assistant Secretary

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

STEVEN C. DOVE
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

THOMAS V. BARR
Assistant General Controller

EDMUND M. KONOPKA
Assistant General Controller

RICHARD W. PENNELL
Assistant General Controller

NANCY G. BROWN
Assistant General Counsel

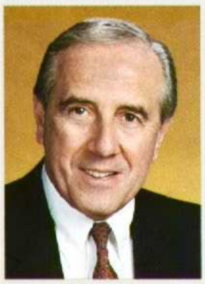
LAWRENCE L. DIEKER
Assistant General Counsel

JAMES A. KING, JR.
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

Directors

THEODORE COOPER, M.D.
Chairman of the Board and
Chief Executive Officer
The Upjohn Company
(Pharmaceuticals)



A. S. D'AMATO
President and
Chief Executive Officer

VIRGINIA DWYER
Former Senior
Vice President – Finance
American Telephone and
Telegraph Company

FREDERICK E. HENNIG
President and
Chief Operating Officer
Woolworth Corporation
(Retail merchandising)

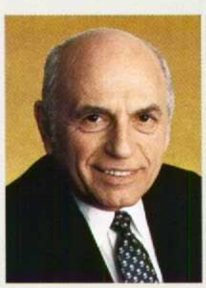
WILBERT J. LeMELLE
President
Phelps-Stokes Fund
(Educational foundation)

ROBERT P. LUCIANO
Chairman and
Chief Executive Officer
Schering-Plough Corporation
(Pharmaceuticals/
consumer products)

H. BARCLAY MORLEY
Former Chairman and
Chief Executive Officer
Stauffer Chemical Company

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark
Foundation
(Charitable foundation)

FRANK J. TASCO
Chairman of the Board and
Chief Executive Officer
Marsh & McLennan
Companies, Inc.
(Insurance brokerage,
consulting and investment
services)



R. J. VENTRES
Chairman and Former
Chief Executive Officer

Changes in Officers and Directors

A. S. D'Amato was elected chief executive officer effective November 1991 and chairman of the Board effective March 1992. He succeeds the retiring **R. J. Ventres**, who continues as a director and as chairman of the Executive Committee of the Board.

Mr. D'Amato has been president and chief operating officer since July 1990. He joined the Company in 1959 as an engineering manager; rose steadily through the plastic products business; and was president of the Packaging and Industrial Products Division from 1985 to 1990.

H. Barclay Morley was elected a director effective February 1992. He spent 23 years of his career with Stauffer Chemical Company, retiring in 1985 as chairman and chief executive officer.

Three directors retired in April 1991 and were named advisory directors:

John W. Lynn, former chairman and chief executive officer of Woolworth Corporation, after 11 years of service;

Robert T. Quittmeyer, former chairman and chief executive officer of Amstar Corporation, after 10 years, and

Eugene J. Sullivan, a director for 23 years, who served as chief executive officer of Borden from 1979 to 1986, chairman of the Board from 1979 to 1987, and chairman of the Executive Committee from 1987 to 1991.

W. Bailey Barton was elected vice president, environmental affairs, effective April 1991, and in January 1992 he became vice president, health and environment. He joined Borden in 1969.

Philip J. Keuper joined Borden in September 1991 as vice president, public affairs. An attorney, he is former vice president – communications for the New York Stock Exchange and was also a business journalist.

Eugene N. Skiest was elected vice president, science and technology, effective January 1992. He has held increasingly responsible positions in research, development and technology since joining Borden in 1966.

Paul J. Josenhans, who joined the Company's Law Department in 1969, was elected corporate secretary effective April 1991.

Five-Year Selected Financial Data

(All dollar and share amounts in millions—except per share data)

For the Years	1991	1990	1989	1988	1987
Summary of Earnings					
Net sales	**$7,235.1**	$7,632.8	$7,653.3	$7,304.4	$6,573.8
Income taxes	**166.0**	212.0	63.1	232.7	206.2
Net income (loss)	**294.9**	363.6	(60.6)	311.9	267.1
Percent of net income to sales	**4.1%**	4.8%	*	4.3%	4.1%
Net income (loss) per common share	**$ 2.00**	$ 2.46	$ (0.41)	$ 2.11	$ 1.81
Dividends:					
Common share	**$ 1.12**	$ 1.035	$ 0.90	$ 0.745	$ 0.62
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares outstanding during the year	**147.6**	147.9	148.2	147.8	147.4
Financial Statistics					
Capital expenditures	**$ 376.0**	$ 331.1	$ 244.0	$ 232.6	$ 201.8
Inventories	**655.4**	665.5	664.0	654.9	566.2
Property, plant and equipment, net	**1,903.7**	1,706.8	1,441.5	1,387.9	1,194.8
Depreciation and amortization	**216.9**	197.3	186.0	172.9	159.1
Total assets	**5,481.3**	5,284.3	4,824.9	4,440.3	4,157.4
Current assets	**1,941.2**	2,026.1	2,011.4	1,814.3	1,869.0
Current liabilities	**1,433.7**	1,847.0	1,539.4	1,222.6	1,147.1
Working capital	**507.5**	179.1	472.0	591.7	721.8
Current ratio	**1.4:1**	1.1:1	1.3:1	1.5:1	1.6:1
Long-term debt	**$1,345.8**	$1,339.8	$1,440.6	$1,160.1	$1,172.1
Total debt to adjusted total capitalization	**41%**	53%	51%	43%	44%
Shareholders' equity	**$1,974.5**	$1,841.6	$1,645.4	$1,848.6	$1,658.8
Liquidating value of preferred stock	**(.2)**	(.2)	(.2)	(.3)	(.3)
Common shareholders' equity	**1,974.3**	1,841.4	1,645.2	1,848.3	1,658.5
Equity per common share at year-end	**13.39**	12.50	11.12	12.50	11.26
Return on average shareholders' equity	**15.5%**	20.9%	*	17.8%	17.2%
Ratio of earnings to fixed charges	**2.9:1**	3.6:1	1.0:1	4.1:1	4.4:1
Shareholders' Data					
Outstanding common shares at year-end	**147.5**	147.3	148.0	147.8	147.3
Market price of common stock:					
At year-end	**$ 32⅝**	$ 29⅞	$ 34⅜	$ 29⅝	$ 24¾
Range during year	**38¾-27½**	37⅞-27	38⅝-27¾	30⅝-23⅝	32-15
Number of common shareholders	**39,234**	39,010	39,098	38,465	40,743
Employee Data					
Payroll	**$1,133.6**	$1,135.5	$1,070.2	$1,077.8	$ 815.4
Average number of employees	**44,400**	46,300	46,500	45,400	39,400

**Not meaningful because of net loss in 1989.*

Corporate Information

Executive Offices
Borden, Inc.
277 Park Avenue
New York, New York 10172
Telephone (212) 573-4000

Administrative Headquarters
180 East Broad Street
Columbus, Ohio 43215
Telephone (614) 225-4000

Annual Meeting
The Annual Meeting will be held on Thursday, April 16, 1992, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey 08822

Independent Accountants
Price Waterhouse
41 S. High Street
Columbus, Ohio 43215

Transfer Agent, Registrar & Dividend Disbursing Agent
The Bank of New York
P.O. Box 11258
Church Street Station
New York, New York 10286
Telephone 1-(800) 524-4458

Debenture and Note Trustees
8⅜% Sinking Fund Debentures
10¼% Notes
The First National Bank of Chicago
Chicago, Illinois 60670

9.2% Debentures
9¼% Sinking Fund Debentures
9⅞% Notes
Medium-Term Notes, Series A
The Bank of New York
New York, New York 10286

10⅝% Canadian Dollar Notes
Banque International á Luxembourg S.A.
L-2953 Luxembourg

Exchange Listings
Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Tokyo, Japan; and Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
8⅜% Sinking Fund Debentures, due 2016
10¼% Notes, due 1995

Luxembourg Stock Exchange
10⅝% Canadian Dollar Notes, due 1993

Japanese Shareholder Service Organization & Paying Bank
The Yasuda Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-2-1, Yaesu, Chuo-ku,
Tokyo, Japan

Date and State of Incorporation
April 24, 1899 - New Jersey

Dividend Reinvestment Plan
A dividend reinvestment plan is available to Borden shareholders. Quarterly common stock dividends may be automatically reinvested in Borden common stock, and optional cash investments may be made for the purchase of additional shares. No service fees or commissions are assessed for shares purchased under this program.

For more information, write to:
The Bank of New York
P.O. Box 11260
Church Street Station
New York, New York 10286

Form 10-K Report
Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Written requests should be directed to:
Borden, Inc.
Investor Relations
277 Park Avenue
New York, New York 10172

PRINTED ON RECYCLED PAPER

BORDEN

IF IT'S BORDEN-IT'S
GOT TO BE GOOD

BORDEN, INC. 277 PARK AVENUE NEW YORK, N.Y. 10172